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REGISTERED BANK DISCLOSURE STATEMENTS

Reserve Bank

Reserve Bank of New Zealand Act 1989

Registered Bank Disclosure Statement (Full and Half-Year—New Zealand Incorporated Registered Banks) Order 1998

MICHAEL HARDIE BOYS, Governor-General

ORDER IN COUNCIL

At Wellington this 24th day of August 1998

Present:

HIS EXCELLENCY THE GOVERNOR-GENERAL IN COUNCIL

Pursuant to section 81 (1) of the Reserve Bank of New Zealand Act 1989, His Excellency the Governor-General, acting by and with the advice and consent of the Executive Council, and on the advice of the Treasurer given in accordance with a recommendation of the Reserve Bank of New Zealand, hereby makes the following Order.

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Order

1. Title, Application and Commencement—(1) This Order may be cited as the Registered Bank Disclosure Statement (Full and Half-Year—New Zealand Incorporated Registered Banks) Order 1998.

(2) This Order applies to every Registered Bank incorporated in New Zealand.

(3) This Order shall come into force on the 1st day of October 1998 and replaces the Registered Bank Disclosure Statement (Full and Half-Year—New Zealand Incorporated Registered Banks) Order 1995 which is hereby consequentially revoked.

(4) The first Disclosure Statement required by this Order in respect of a Registered Bank shall be in respect of the first Balance Date which occurs after 1 October 1998, or in respect of a Registered Bank which becomes a Registered Bank after 1 October 1998, shall be in respect of such date (whether before or after the date of registration) as the Reserve Bank shall determine.

(5) Where the Reserve Bank, pursuant to clause 1 (4) of this Order, determines the date in respect of which a Disclosure Statement shall be published, a reference in this Order to a Balance Date shall be read as if it were a reference to that date.

Part I

Preliminary

2. Interpretation—(1) Any term or expression used in this Order that is not defined in this Order:

(a) which is defined in the Act shall, unless the context otherwise requires, have the meaning given to it by the Act;

(b) which is not defined in the Act and which is defined in the Conditions of Registration shall, unless the context otherwise requires, have the meaning given to it by the Conditions of Registration; and

(c) which is not defined in the Act or in the Conditions of Registration shall, unless the context otherwise requires, be interpreted in compliance with generally accepted accounting practice (as that term is defined in section 3 of the Financial Reporting Act 1993).

(2) References in this Order to the singular include the plural and vice versa.

(3) In this Order a reference to an 'FRS' is a reference to a Financial Reporting Standard approved or given authoritative support from time to time by the Accounting Standards Review Board pursuant to sections 24 and 27 of the Financial Reporting Act 1993.

(4) In this Order, unless the context otherwise requires:

'Accounting Period' has the meaning set out in the Companies Act 1993.

'Act' means the Reserve Bank of New Zealand Act 1989.

'Address for Service' in relation to:

(a) an individual, means the address of their usual place of business in New Zealand or, if no such address exists, the address of their usual place of business outside New Zealand;

(b) a company within the meaning of section 2 (1) of the Companies Act 1993, means the address for service adopted by the company under section 192 of that Act;

(c) any other entity, means the address of its principal office or principal place of business in New Zealand

- or, if no such address exists, its principal office or principal place of business outside New Zealand.
- ‘Aggregate Equity Exposure’ means the aggregate amount of Equity Exposure to all currencies.
- ‘Aggregate Foreign Currency Exposure’ means the aggregate amount of Foreign Currency Exposure to all currencies other than New Zealand dollars.
- ‘Aggregate Interest Rate Exposure’ means the aggregate amount of Interest Rate Exposure to all currencies.
- ‘Aggregate Market Risk Exposure’ means exposure to all, or any, of Aggregate Equity Exposure, Aggregate Foreign Currency Exposure and Aggregate Interest Rate Exposure.
- ‘Asset Acquired Through the Enforcement of Security’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Balance Date’ means the last day of an Accounting Period or Interim Accounting Period.
- ‘Bank’ means a Registered Bank or an Overseas Bank.
- ‘Banking Group’ means the Financial Reporting Group but where the Reserve Bank has, by notice in writing to the Registered Bank, after consultation with the Registered Bank, agreed to or required the inclusion or exclusion of any entity or any part of any entity, means the Financial Reporting Group including or excluding that entity or that part of that entity, as the case may be.
- ‘Capital’ in relation to:
- (a) an Overseas Bank or Overseas Banking Group, means the amount of capital held by the Overseas Bank or Overseas Banking Group, determined in accordance with the requirements of the authority having the power to impose minimum capital requirements on that Overseas Bank or Overseas Banking Group in its country of domicile;
 - (b) a Banking Group, means the amount of capital held by the Banking Group, determined in accordance with the Conditions of Registration.
- ‘Commodity Instrument’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Company’ has the same meaning as in section 2 of the Companies Act 1993, and includes an overseas company within the meaning of section 2 of the Companies Act 1993.
- ‘Conditions of Registration’ in relation to a Registered Bank means the conditions of registration imposed on that Registered Bank by the Reserve Bank pursuant to section 74 of the Act.
- ‘Connected Person’ has the same meaning as in the Conditions of Registration.
- ‘Counterparty’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Credit Exposure’ means the amount of the maximum loss that a party to a contract could incur as a result of the Counterparty to that contract failing to discharge its obligations, without taking into account the value of collateral, guarantees, indemnities, other support arrangements, and any potential recoveries, where the maximum loss in relation to:
- (a) a market related contract means the credit equivalent amount of the contract determined in accordance with the Reserve Bank document entitled Capital Adequacy Framework (BS2) as amended from time to time;
 - (b) any other contract means the full value of the contract;
- provided that, for the purposes of this definition, a Financial Liability and a Financial Asset may be offset if to do so would accord with generally accepted accounting practice as defined in the Financial Reporting Act 1993.
- ‘Credit Risk’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Currency Risk’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Debt Security’, in relation to a Registered Bank, means any interest in or right to be paid money that is, or is to be, deposited with, lent to, or otherwise owing by, that Registered Bank (whether or not the interest or right is secured by a charge over any property).
- ‘Director’ means a person holding office as a director of the Registered Bank.
- ‘Direct Banking Account’ means a bank account held at a branch that is not normally physically accessible by the customers of that branch.
- ‘Disclosure Statement’, in relation to a Registered Bank, means a document Published by that Registered Bank under sections 81 or 83 of the Act which shall comprise a General Disclosure Statement, Key Information Summary and Supplemental Disclosure Statement.
- ‘Equity’ has the same meaning as in the Institute of Chartered Accountants of New Zealand Statement of Concepts for General Purpose Financial Reporting.
- ‘Equity Exposure’ means the amount of the change in the economic value of equity instruments that are Financial Assets and Financial Liabilities of the Banking Group in a single currency, which would occur as a result of a change in the price of equity instruments in that currency.
- ‘Equity Risk’ means the risk arising from changes in the prices of equity instruments.
- ‘Fair Value’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Financial Asset’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Financial Instrument’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Financial Liability’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Financial Reporting Group’ means a Registered Bank (as reporting entity) and all other entities included in the group as that term is defined in section 2 (1) of the Financial Reporting Act 1993.
- ‘First Quarter Accounting Period’ means the first three month period of an Accounting Period.
- ‘Foreign Currency Exposure’ means the amount of the change in the economic value of the Financial Assets and Financial Liabilities of the Banking Group in a single foreign currency which would occur as a result of a change in the rate of exchange applicable to that foreign currency.
- ‘General Disclosure Statement’ means that part of a Disclosure Statement which contains the information prescribed in Part III and Part IV of this Order.
- ‘General Provision’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Group of Closely Related Counterparties’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Immediate Relative’, in relation to any person, means their spouse or any person who lives with that person as their spouse, whether or not married, and any parent, brother, sister or child, in each case whether or

- not adoptive, of that person or of their spouse or person who lives with that person as their spouse.
- 'Impaired Asset' means a Non-Accrual Asset, a Restructured Asset, or an Asset Acquired Through the Enforcement of Security.
- 'Interest Rate Exposure' means the amount of the change in the economic value of the Financial Assets (excluding equity instruments) and Financial Liabilities (excluding equity instruments) of the Banking Group in a single currency which would occur as a result of a change in interest rates in that currency.
- 'Interest Rate Repricing Date', as that term applies to a Financial Instrument or to a proportion of a Financial Instrument, means the earlier of the date on which, in accordance with the terms of the Financial Instrument:
- the interest rate reset date next occurs (being the date on which the rate of interest payable in respect of the Financial Instrument can or will alter); or
 - the principal sum is due and payable or, where no principal sum is due and payable, the maturity date occurs.
- 'Interest Rate Risk' has the same meaning as in FRS-33, as amended from time to time.
- 'Interim Accounting Period' means the first six month period of an Accounting Period.
- 'Investment Security' has the same meaning as in FRS-33, as amended from time to time.
- 'Issuer' has the same meaning as in the Financial Reporting Act 1993.
- 'Key Information Summary' means that part of a Disclosure Statement which contains the information prescribed in Part II of this Order.
- 'Market Risk Exposure' means exposure to any, or all, of Equity Exposure, Foreign Currency Exposure and Interest Rate Exposure.
- 'Material' has the meaning given to it by generally accepted accounting practice, or, where generally accepted accounting practice does not apply, means a statement, fact, or item which is of such a nature or amount that its inclusion or omission, or the method of treating its disclosure, would be likely to influence a reasonable user of the Disclosure Statement.
- 'Non-Accrual Asset' means any Credit Exposure for which it is probable that the Registered Bank or a member of the Banking Group will not be able to collect all amounts owing in accordance with the terms of the contract with the Counterparty.
- 'Non-Bank Connected Person' has the same meaning as in the Conditions of Registration.
- 'OECD Government' means the central government of any of the countries specified in the list of OECD countries contained in Appendix One to the Reserve Bank document entitled Capital Adequacy Framework (BS2), as amended from time to time.
- 'Off Quarter Balance Date' means the last day of a First Quarter Accounting Period or Third Quarter Accounting Period.
- 'Other Asset Acquired Through the Enforcement of Security' has the same meaning as in FRS-33, as amended from time to time.
- 'Other Security' has the same meaning as in FRS-33, as amended from time to time.
- 'Overseas Bank' means a financial institution incorporated outside New Zealand which has been authorised, registered, or licensed as a bank in its country of domicile by the appropriate banking supervisory authority.
- 'Overseas Banking Group' means an Overseas Bank and all other entities included in the group for the purposes of public reporting of group financial statements in the country of domicile of the Overseas Bank.
- 'Past Due Asset' means any Credit Exposure which has not been operated by the Counterparty within its key terms for at least 90 days and which is not an Impaired Asset.
- 'Premises' means any staffed premises of the Registered Bank or an agency of the Registered Bank to which the Registered Bank's customers or potential customers have access in order to conduct banking business.
- 'Publication Date', in respect of a Disclosure Statement, means the date the Disclosure Statement is Published in accordance with clause 3 of this Order.
- 'Publish' includes distribute, make available and disseminate.
- 'Rate Insensitive Retail Assets' means that amount of the Financial Assets held by the Banking Group which the Registered Bank reasonably believes is unlikely to be diminished or increased as a result of a Material change in market interest rates if the interest rate applicable to that Financial Asset (which may be zero) does not change or does not change Materially.
- 'Rate Insensitive Retail Liabilities' means that amount of the Financial Liabilities held by the Banking Group which the Registered Bank reasonably believes is unlikely to be diminished or increased as a result of a Material change in market interest rates if the interest rate applicable to that Financial Liability (which may be zero) does not change or does not change Materially.
- 'Rate Insensitive Retail Product' means either or both of a Rate Insensitive Retail Asset or a Rate Insensitive Retail Liability.
- 'Real Estate Asset Acquired Through the Enforcement of Security' has the same meaning as in FRS-33, as amended from time to time.
- 'Register' means the register of Registered Banks maintained pursuant to section 69 of the Act.
- 'Registered Bank' means an entity which is entered on the Register.
- 'Relevant Interest' has the same meaning as in sections 5 and 6 of the Securities Amendment Act 1988.
- 'Responsible Person' means a person authorised in writing by a Director to sign the Disclosure Statement in accordance with section 82 of the Act.
- 'Restructured Asset' means any Credit Exposure which is not a Non-Accrual Asset and for which:
- the original terms have been changed to grant the Counterparty a concession that would not otherwise have been available, due to the Counterparty's difficulties in complying with the original terms;
 - the revised terms of the facility are not comparable with the terms of new facilities with comparable risks; and
 - the yield on the asset following restructuring is equal to, or greater than, the average cost of funds of the Registered Bank or a member of the Banking Group, or that a loss is not otherwise expected to be incurred.
- 'Specific Provision' has the same meaning as in FRS-33, as amended from time to time.
- 'Subsidiary' means a subsidiary within the meaning of sections 5 to 8 of the Companies Act 1993.
- 'Substantial Security Holder' means a person who has a

Relevant Interest in 5 percent or more of the Voting Securities of which the Registered Bank is the issuer.

'Supplemental Disclosure Statement' means that part of a Disclosure Statement which contains the information prescribed in Part V of this Order.

'Third Quarter Accounting Period' means:

- (a) the first nine month period of an Accounting Period; and
- (b) where an Accounting Period will be 15 months, the first 12 month period of an Accounting Period.

'Tier One Capital' in relation to:

- (a) an Overseas Bank or Overseas Banking Group, means the amount of tier one capital held by the Overseas Bank or Overseas Banking Group determined in accordance with the requirements of the authority having the power to impose minimum Capital requirements on that Overseas Bank or Overseas Banking Group in its country of domicile;
- (b) a Banking Group, means the amount of tier one capital held by the Banking Group, determined in accordance with the Conditions of Registration.

'Ultimate Holding Company' means the body corporate which is the Registered Bank's holding company (as that term is defined in section 5 of the Companies Act 1993) and which is not itself a Subsidiary of another body corporate and which is not a Bank.

'Ultimate Parent Bank' means any Bank which is the Registered Bank's holding company (as that term is defined in section 5 of the Companies Act 1993) and which is not itself a Subsidiary of another Bank.

'Voting Security' has the same meaning as in section 2 of the Securities Amendment Act 1988.

'Working Day' means a day of the week on which the Registered Bank's head office is open for business.

3. Form, Frequency and Distribution of Disclosure Statement—(1) Subject to the Act, every Registered Bank shall Publish not later than three months after each Balance Date (or in the case of the first Disclosure Statement required by this Order for a Registered Bank which becomes a Registered Bank after 1 October 1998, within such period as the Reserve Bank shall specify) a Disclosure Statement which shall:

- (a) contain the information that is prescribed in Part II to Part V of this Order; and
- (b) comply with the Act.

(2) Disclosure Statements shall be Published in the following manner:

- (a) every Registered Bank shall prominently display the Registered Bank's most recent Key Information Summary at the Registered Bank's head office, every branch of the Registered Bank, every other Premises of the Registered Bank, and every Premises of an agency of the Registered Bank primarily engaged in the business of the Registered Bank;
- (b) every Registered Bank shall provide to any person a copy of its most recent Key Information Summary immediately upon request and at no charge;
- (c) where a Registered Bank publishes information on an internet web site which includes any information directed primarily at its New Zealand customers or potential customers, the Registered Bank shall make available or display a copy of its most recent Key Information Summary on that internet web site;
- (d) every Registered Bank shall notify each of its customers holding a Direct Banking Account of the availability of its most recent Key Information Summary, as soon as is practicable after the publication of that Key Information Summary, and

shall state that the Key Information Summary is available immediately upon request and at no charge;

- (e) every Registered Bank shall provide a copy of its most recent General Disclosure Statement at no charge, immediately to any person requesting a copy where the request is made at the Registered Bank's head office and within five Working Days where the request is made at any branch of the Registered Bank, any other Premises of the Registered Bank, or any Premises of an agency of the Registered Bank primarily engaged in the business of the Registered Bank;
- (f) every Registered Bank shall provide a copy of its most recent Supplemental Disclosure Statement, or such part of it as is requested, at no charge, immediately to any person requesting a copy where the request is made at the Registered Bank's head office and within five Working Days where the request is made at any branch of the Registered Bank, any other Premises of the Registered Bank, or any Premises of an agency of the Registered Bank primarily engaged in the business of the Registered Bank, unless the content of a Supplemental Disclosure Statement is included in the General Disclosure Statement; and
- (g) every Registered Bank shall deliver a copy of its most recent Disclosure Statement to the Reserve Bank on the Publication Date.

4. General Provisions Relating to Content of Disclosure Statement—(1) (a) In addition to the information which is required by this Order, a Disclosure Statement:

- (i) shall contain such other information as in the opinion of the Directors it is necessary or desirable to include so as to ensure that any information contained in the Disclosure Statement is not false or misleading in any Material particular; and
- (ii) subject to any express provision to the contrary in this Order, may contain such other information as the Directors consider appropriate.

(b) A Disclosure Statement shall not contain any offer (within the meaning of that term as defined in section 2 of the Securities Act 1978) of any Debt Securities, but may contain information required for the purposes of regulation 21 (2) and regulation 22 (d) of the Securities Regulations 1983.

(2) Subject to the Act and this clause, nothing in this Order shall limit the provisions of any other enactment.

(3) Where this Order requires or permits a Disclosure Statement to incorporate information about any person, business, or group in respect of a stated period, that information need not relate to any part of that period for which the person, business, group or any part thereof did not exist. Where the Disclosure Statement contains information in respect of a period that is less than the stated period, it shall identify the period in respect of which the information is provided.

(4) The Disclosure Statement shall not state or imply that a person is, or intends to become, a shareholder of the Registered Bank, or of a member of the Banking Group, without also stating whether that person guarantees any of the obligations of the Registered Bank or any member of the Banking Group.

(5) Subject to subclause (7) of this clause, where a Registered Bank is unable because of systems limitations or because of circumstances beyond its control to disclose information which the Registered Bank would, pursuant to this Order, be required to disclose, the Disclosure Statement shall:

- (a) state that fact, and an explanation of the circumstances; and

(b) contain information which is the closest available alternative to that required to be disclosed pursuant to this Order.

(6) The comparative information required to be disclosed by this Order for the previous corresponding period shall be restated so that it corresponds to the information presented for the current period. Where there has been a Material restatement of prior period amounts, the nature of, and the reason for, the restatement shall be disclosed.

(7) A Registered Bank need not disclose comparative information where this information is not readily available, provided that comparative information shall be deemed to be readily available 12 months after the date at which such information was first required to be Published.

(8) A Registered Bank shall disclose the currency used where financial statements, or information drawn from financial statements, are disclosed in a currency other than New Zealand dollars.

(9) Other than in the case of copies of guarantee contracts, all information disclosed in accordance with this Order shall be disclosed in English.

Part II

Key Information Summary

5. Content of Key Information Summary—(1) Subject to subclause (2) of this clause, the Key Information Summary shall contain, in the same order and under the same headings, the information required to be disclosed pursuant to subclause (6) of this clause, as at the Registered Bank's Balance Date or for the Accounting Period or Interim Accounting Period, as the case may be, unless otherwise stated.

(2) If a Key Information Summary would be false or misleading as a result of stating the information required to be disclosed pursuant to subclause (6) of this clause, information and explanations that will make the Key Information Summary not false or misleading shall also be stated under the relevant heading.

(3) The information required to be disclosed pursuant to subclause (6) (d) to (i) of this clause shall:

- (a) relate to the Banking Group;
- (b) include comparative figures for the previous corresponding period.

(4) Where applicable, the information contained in the Key Information Summary shall be taken from the information contained in the General Disclosure Statement.

(5) The Key Information Summary may contain additional information, to which the information stated pursuant to subclause (6) of this clause may refer by way of note, provided that such information is set out after the information required to be disclosed pursuant to subclause (6) of this clause.

(6) The Key Information Summary shall contain:

- (a) Introductory information—the following statement:

“The purpose of this Key Information Summary is to provide customers and potential customers with information about the financial condition of their bank.

Neither the New Zealand Government nor the Reserve Bank of New Zealand guarantees or insures bank deposits.

The information contained in the Key Information Summary is explained in the Reserve Bank publication “Your Bank's Disclosure Statement—What's In It For You?”, which can be obtained from the Reserve Bank.” (or, at the option of the Registered Bank, “. . . from the Reserve Bank and the (name of bank)”).

(b) Corporate information—

- (i) the name of the Registered Bank;
- (ii) if applicable, the name of any person that is the Ultimate Parent Bank of the Registered Bank and its country of domicile;
- (iii) if applicable, the name of any person that is the Ultimate Holding Company of the Registered Bank and its country of domicile;

(c) Credit rating—

- (i) a statement as to whether the Registered Bank has a credit rating applicable to its long term senior unsecured obligations payable in New Zealand, in New Zealand dollars; and
- (ii) if so, with respect to each such rating:
 - (A) the name of the person who gave the credit rating;
 - (B) the current rating and all qualifications to that rating;
 - (C) any changes made to the rating in the two years preceding the Balance Date and the date on which any such change occurred;

(d) Profitability—

- (i) net profit or loss after tax and extraordinary items over the Accounting Period or Interim Accounting Period, including a description of the Accounting Period or Interim Accounting Period;
- (ii) net profit or loss after tax and extraordinary items over the 12 month period ending on the current Balance Date, expressed as a percentage of the average of total assets;

(e) Size—

- (i) total assets;
- (ii) the percentage change in total assets over the 12 month period ending on the current Balance Date;

(f) Capital adequacy—

- (i) Tier One Capital expressed as a percentage of risk weighted exposures, and the minimum percentage of this ratio permitted under the Registered Bank's Conditions of Registration;
- (ii) Capital expressed as a percentage of risk weighted exposures, and the minimum percentage of this ratio permitted under the Registered Bank's Conditions of Registration;

(g) Asset quality—

- (i) total Impaired Assets (before provisions and net of interest held in suspense);
- (ii) total Impaired Assets expressed as a percentage of total assets;
- (iii) total Specific Provisions;
- (iv) total Specific Provisions expressed as a percentage of total Impaired Assets;

(h) Peak Credit Exposure concentrations—

For the most recent quarter of the Accounting Period or Interim Accounting Period:

- (i) the number of individual non Bank Counterparties or Groups of Closely Related Counterparties of which a Bank is not the parent; and
- (ii) the number of individual Bank Counterparties or Groups of Closely Related Counterparties of which a Bank is the parent;

to which the Banking Group has a peak end-of-day aggregate Credit Exposure which equals or exceeds 10% of the Banking Group's Equity, in successive ranges of 10% of the Banking Group's Equity.

This information shall be disclosed using the

methodology set out in Schedule 3 of this Order. A Registered Bank shall state that this information excludes exposures to Connected Persons and any OECD Government;

(i) Peak Connected Person Credit Exposures—

- (i) the peak end-of-day aggregate Credit Exposure to Connected Persons expressed as an amount and as a percentage of Tier One Capital;
- (ii) the peak end-of-day aggregate Credit Exposure to Non-Bank Connected Persons expressed as an amount and as a percentage of Tier One Capital;
- (iii) expressed as a percentage of Tier One Capital:

A. the maximum peak end-of-day aggregate Credit Exposure to Connected Persons; and

B. within the percentage required to be expressed by subparagraph (a) of this paragraph, the maximum peak end-of-day aggregate Credit Exposure to Non-Bank Connected Persons;

that is permitted under the Registered Bank's Conditions of Registration;

for the most recent quarter of the Accounting Period or Interim Accounting Period, using the methodology for disclosing this information set out in Schedule 4 of this Order. A Registered Bank shall state that this Credit Exposure information has been derived net of Specific Provisions and gross of set-offs;

(j) Availability of Disclosure Statements—

A statement:

- (i) that copies of the Registered Bank's most recent General Disclosure Statement and Supplemental Disclosure Statement will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office;
- (ii) specifying the categories of places where copies of the Registered Bank's most recent General Disclosure Statement and Supplemental Disclosure Statement will be provided at no charge to any person within 5 Working Days of a request for a copy having been made.

Auditor's Report—

(7) The Key Information Summary shall contain an auditor's report, set out after the information disclosed in accordance with subclause 5 (6) and any information disclosed in accordance with subclause 5 (5), which shall state:

- (a) that the Key Information Summary has been examined by the auditor;
- (b) whether the Key Information Summary has been completed in accordance with this Order and whether the information contained in it has been properly taken, where applicable, from the information contained in the General Disclosure Statement; and
- (c) the nature of the audit examination conducted in respect of information drawn from the General Disclosure Statement, and whether a qualified or unqualified opinion has been given in respect of that information.

Part III

General Disclosures to be Contained in General Disclosure Statement

6. General Matters—(1) In respect of the Registered Bank, the General Disclosure Statement shall state:

- (a) its name and Address for Service;

- (b) the statute or other authority under or pursuant to which it was incorporated or established; and
- (c) the date of its incorporation or establishment.

(2) Where applicable, the General Disclosure Statement shall state:

- (a) the name and Address for Service of the Ultimate Parent Bank of the Registered Bank;
- (b) the name and Address for Service of the Ultimate Holding Company of the Registered Bank; and
- (c) a summary of any regulations, legislation or other restrictions of a legally enforceable nature which may materially inhibit the legal ability of the bodies corporate referred to in paragraphs (a) and (b) of this subclause, to provide Material financial support to the Registered Bank.

(3) To the extent that the information is, upon reasonable investigation, able to be obtained by the Registered Bank, the General Disclosure Statement shall state the name of each person who is a Substantial Security Holder and, where that person is not the registered and the beneficial holder of the Voting Securities, shall state briefly the nature of that person's Relevant Interest in those Voting Securities.

7. Guarantee Arrangements—(1) The General Disclosure Statement shall state whether the Material obligations of the Registered Bank are guaranteed.

(2) Where a person guarantees any Material obligations of the Registered Bank, and subclause (3) of this clause does not apply, the General Disclosure Statement shall state:

- (a) the name and Address for Service of the guarantor;
- (b) whether the guarantor is a member of the Banking Group;
- (c) the nature of the obligations which are guaranteed, including a description sufficient to identify them;
- (d) whether there are any limits on the amount of the obligations guaranteed and, if so, a brief summary of the nature of those limits;
- (e) whether there are any Material conditions applicable to the guarantee other than non-performance by the principal obligor and, if so, a brief summary of those conditions;
- (f) whether there are any Material legislative or regulatory restrictions in the guarantor's country of incorporation which would have the effect of subordinating the claims under the guarantee of any of the creditors of the Registered Bank on the assets of the guarantor, to other claims on the guarantor, in a winding up of that guarantor. If so, the General Disclosure Statement shall also state:
 - (i) the legislation or regulations involved and the nature of the impairment of the rights of the creditors which they create;
 - (ii) the amount of the liabilities which are so affected;
- (g) (i) the amount of the net tangible assets of the guarantor as shown in the most recent publicly available audited financial statements, together with any qualifications in the auditor's report on those financial statements that reflect on the statement of those assets in the financial statements; or
 - (ii) where the guarantor is a Bank, the most recent publicly disclosed Capital of the guarantor and the guarantor group, expressed as an amount and as a percentage of the risk weighted exposures, and the date to which that measure of Capital relates;
- (h) the information required to be disclosed pursuant to clause 11 of this Order as though the reference to a Registered Bank were a reference to the guarantor, the

reference to New Zealand were a reference to the country of incorporation of the guarantor and the reference to New Zealand dollars were a reference to the currency of the country of incorporation of the guarantor; and

- (i) that a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contract, will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office;
- (ii) the categories of places where a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contract, will be provided at no charge to any person within 5 Working Days of a request for a copy having been made;

unless the content of the Supplemental Disclosure Statement is contained in the General Disclosure Statement.

(3) Where a person or persons have entered into any Material cross guaranteeing arrangements with the Registered Bank, the General Disclosure Statement shall:

- (a) describe the guaranteeing group and the nature of the cross-guaranteeing arrangements;
- (b) state the information required to be disclosed pursuant to clauses 7 (2) (d) to (f) as if those clauses applied to the guarantees of the obligations of the Registered Bank, as well as to the guarantees the Registered Bank has given in respect of the first mentioned person's or persons' obligations;
- (c) if there is a single contract which sets out the rights and obligations of all the cross guarantors; or if there is a standard contract which is representative of the rights and obligations of each of the cross guarantors, a statement:
 - (i) that a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contract, will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office;
 - (ii) specifying the categories of places where a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contract, will be provided at no charge to any person within 5 Working Days of a request for a copy having been made;

unless the content of the Supplemental Disclosure Statement is contained in the General Disclosure Statement.

8. Registered Bank: Directorate and Auditors—The General Disclosure Statement shall state:

- (a) an address to which communications addressed to the Directors and Responsible Persons (if any), or any of them, may be sent;
- (b) the name, occupation, technical or professional qualifications, and country of residence of each Director and Responsible Person;
- (c) the name and Address for Service of any auditor whose report is referred to in the Disclosure Statement;
- (d) in relation to every Director:
 - (i) the nature and amount of any transaction which any Director or any Immediate Relative or close business associate of any Director has with the Registered Bank or any member of the Banking Group which either has been entered into on terms other than those which would, in the ordinary

course of business of the Registered Bank or any member of the Banking Group, be given to any other person of like circumstances or means, or which could otherwise be reasonably likely to influence Materially the exercise of that Director's duties; and

- (ii) whether the Director is an executive Director; and
- (e) the policy of the board of Directors for avoiding or dealing with conflicts of interest which may arise from the personal, professional or business interests of the Directors or any of them.

9. Conditions of Registration—The General Disclosure Statement shall either:

- (a) state that a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the Conditions of Registration applicable as at the date of the Disclosure Statement, will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office; and
- (b) specify the categories of places where a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the Conditions of Registration applicable as at the date of the Disclosure Statement, will be provided at no charge to any person within 5 Working Days of a request for a copy having been made; or
- (c) contain a copy of the Conditions of Registration applicable as at the date of the Disclosure Statement.

10. Pending Proceedings or Arbitration—The General Disclosure Statement shall contain a description of any pending proceedings or arbitration concerning any member of the Banking Group, whether in New Zealand or elsewhere, that may have a Material adverse effect on the Registered Bank or the Banking Group.

11. Credit Ratings—(1) The General Disclosure Statement shall state whether the Registered Bank has a credit rating applicable to its long term senior unsecured obligations payable in New Zealand, in New Zealand dollars.

(2) For each credit rating required to be disclosed pursuant to subclause (1) of this clause the General Disclosure Statement shall state:

- (a) the name of the person who gave the credit rating;
- (b) the current rating and all qualifications to that rating;
- (c) any changes made to the rating in the two years preceding the Balance Date and the date on which any such change occurred; and
- (d) descriptions or explanations of all the steps in the applicable rating scales.

Part IV

Financial and Supplementary Disclosures to be Contained in General Disclosure Statement

12. Content of Financial and Supplementary Disclosures—(1) For the Accounting Period, the General Disclosure Statement shall contain or be accompanied by financial statements of the Registered Bank and the Banking Group, prepared in accordance with the requirements of the Financial Reporting Act 1993 including, without limitation, section 13 of the Financial Reporting Act 1993, as though:

- (a) the references in the Financial Reporting Act 1993 to a 'group' were to the Banking Group;
- (b) the Registered Bank and the Banking Group do not qualify for any exemptions pursuant to the Framework for Differential Reporting issued by the Institute of Chartered Accountants of New Zealand; and
- (c) the Registered Bank and the Banking Group do not

qualify for the reporting exemption provided in paragraph 4. 16 (a) of FRS-33.

(2) (a) Subject to paragraph (b) of this subclause, for the Interim Accounting Period the General Disclosure Statement shall contain or be accompanied by financial statements of the Registered Bank and the Banking Group prepared in accordance with the requirements of the Financial Reporting Act 1993 including, without limitation, section 13 of the Financial Reporting Act 1993, as if the Interim Accounting Period were an Accounting Period, and as though:

(i) the references in the Financial Reporting Act 1993 to a 'group' were to the Banking Group;

(ii) the Registered Bank and the Banking Group do not qualify for any exemptions pursuant to the Framework for Differential Reporting issued by the Institute of Chartered Accountants of New Zealand; and

(iii) the Registered Bank and the Banking Group do not qualify for the reporting exemption provided in paragraph 4. 16 (a) of FRS-33.

(b) Nothing in paragraph (a) of this subclause requires an auditor to state whether, in the auditor's opinion, the financial statements referred to in that paragraph give a true and fair view of the matters to which they relate, provided that the General Disclosure Statement complies with clause 15 (2) of this Order.

(3) The General Disclosure Statement shall contain, where Material, the supplementary information for the Accounting Period or the Interim Accounting Period prescribed by Schedules 1 to 6 of this Order unless this information is included in the financial statements prepared in accordance with clauses 12 (1) or 12 (2) of this Order.

(4) The General Disclosure Statement shall contain, where Material, the supplementary information for the Accounting Period or the Interim Accounting Period prescribed by Schedules 7 to 8 of this Order unless this information is included in the financial statements prepared in accordance with clauses 12 (1) or 12 (2) of this Order.

13. Historical Summary of Financial Statements—(1) The General Disclosure Statement shall contain a historical summary of financial statements in respect of the Banking Group.

(2) The amounts in the historical summary of financial statements required to be disclosed pursuant to subclause (1) of this clause shall be amounts that appear in financial statements of the Banking Group giving a true and fair view of the results and state of affairs of the Banking Group for the period concerned, or, where no such statements have been prepared, amounts that would have appeared in such statements if they had been prepared.

(3) The amounts that appear in the historical summary of financial statements required to be disclosed pursuant to subclause (1) of this clause shall include the following:

- (a) total interest revenue;
- (b) total interest expense;
- (c) total other revenue;
- (d) total Impaired Asset expense;
- (e) total other expenses;
- (f) net profit or loss before taxation and extraordinary items;
- (g) taxation;
- (h) net profit or loss before extraordinary items;
- (i) extraordinary items;
- (j) net profit or loss after extraordinary items;
- (k) minority interests;
- (l) the amount paid or provided for dividends;

(m) profit or loss retained;

(n) total assets;

(o) total Impaired Assets;

(p) total liabilities;

(q) equity;

in the case of a Disclosure Statement prepared in respect of:

(r) an Accounting Period, for each of the five most recent consecutive Accounting Periods; or

(s) an Interim Accounting Period, for that Interim Accounting Period and each of the five most recent consecutive Accounting Periods.

(4) The General Disclosure Statement shall state whether the amounts required to be disclosed pursuant to subclause (3) of this clause have been taken from audited financial statements.

14. Members of Banking Group—The General Disclosure Statement shall state the name and nature of business of each member of the Banking Group other than the Registered Bank.

15. Auditor's Report—(1) A General Disclosure Statement Published in respect of an Accounting Period shall contain a copy of a report by an auditor signed by that auditor, either in the auditor's own name or the name of that auditor's firm, that states, with respect to the financial statements and supplementary information prepared in accordance with clauses 12 (1), 12 (2), 12 (3) and 12 (4) of this Order:

(a) the work done by the auditor;

(b) the scope and limitations of the audit;

(c) the existence of any relationship (other than that of auditor) which the auditor has with, or interest the auditor has in, the Registered Bank and any of its Subsidiaries or in-substance subsidiaries;

(d) whether the auditor has obtained all the information and explanations that the auditor has required;

(e) whether, in the auditor's opinion, as far as appears from an examination of them, proper accounting records have been kept by the Registered Bank and the Banking Group;

(f) whether, in the auditor's opinion, the financial statements of the Registered Bank and the Banking Group comply with generally accepted accounting practice, and if they do not, the respects in which they fail to comply;

(g) where applicable, whether, in the auditor's opinion, the supplementary information has been prepared in accordance with guidelines issued pursuant to section 78 (3) of the Act (if any) or any Conditions of Registration, and is in accordance with the books and records of the Registered Bank and the Banking Group;

(h) whether, in the auditor's opinion, and having regard to any information or explanations that may have been added by the Registered Bank pursuant to sections 11 (2) and 14 (2) of the Financial Reporting Act 1993, the financial statements of the Registered Bank and the Banking Group give a true and fair view of the matters to which they relate and, if they do not, the respects in which they fail to give such a view;

(i) whether, in the auditor's opinion, the supplementary information disclosed in accordance with clause 12 (3) of this Order gives a true and fair view of the matters to which it relates and, if it does not, the respects in which it fails to give such a view; and

(j) whether, in the auditor's opinion, the supplementary information disclosed in accordance with clause 12 (4)

of this Order complies with Schedules 7 and 8 of this Order, and, if it does not, the respects in which it fails to comply with those Schedules.

(2) A Disclosure Statement Published in respect of an Interim Accounting Period shall contain a copy of a report by an auditor signed by that auditor either in the auditor's own name or the name of that auditor's firm, which either:

(a) complies with the requirements contained in subclause (1) of this clause; or

(b) (i) with respect to the financial statements prepared in accordance with clause 12 (1) or 12 (2) of this Order, states:

(A) that the financial statements have been examined by the auditor; and

(B) whether anything has come to the auditor's attention which would cause the auditor to believe that the financial statements do not present a true and fair view of the matters to which they relate;

(ii) with respect to the supplementary information prepared in accordance with clause 12 (3) of this Order, states:

(A) that the supplementary information has been examined by the auditor; and

(B) whether anything has come to the auditor's attention which would cause the auditor to believe that the supplementary information does not present a true and fair view of the matters to which it relates;

(iii) with respect to the supplementary information prepared in accordance with clause 12 (4) of this Order, states:

(A) that the supplementary information has been examined by the auditor; and

(B) whether anything has come to the auditor's attention which would cause the auditor to believe that the supplementary information does not comply with Schedules 7 and 8 of this Order.

16. Other Material Matters—The General Disclosure Statement shall state particulars of any matters relating to the business or affairs of the Registered Bank and the Banking Group which are not contained elsewhere in the General Disclosure Statement and which would, if disclosed, materially adversely affect the decision of a person to subscribe for Debt Securities of which the Registered Bank or any member of the Banking Group is the issuer.

17. The Directors' Statement—The General Disclosure Statement shall contain:

(1) a statement by the Directors as to whether each Director believes, after due enquiry, that:

(a) the Disclosure Statement contains all the information that is required by this Order;

(b) the Disclosure Statement is not false or misleading; as at the date on which the Disclosure Statement is signed; and

(2) a statement by the Directors as to whether each Director believes, after due enquiry, that:

(a) the Registered Bank has complied with the Conditions of Registration;

(b) Credit Exposures to Connected Persons (if any) were not contrary to the interests of the Banking Group; and

(c) the Registered Bank had systems in place to monitor and control adequately the Banking Group's Material risks, including Credit Risk, concentration of Credit Risk, Interest Rate Risk, Currency Risk, Equity Risk,

liquidity risk and other business risks, and that those systems were being properly applied;

over the Accounting Period or Interim Accounting Period.

Part V

Supplemental Disclosure Statement

18. General Matters—(1) Subject to subclause (2) of this clause, the Supplemental Disclosure Statement shall state only the information specified in clauses 19 and 20 of this Order.

(2) If a Supplemental Disclosure Statement would be false or misleading as a result of stating the information specified in subclause (1) of this clause, information and explanations that will make the Supplemental Disclosure Statement not false or misleading shall also be stated.

19. Guarantors—(1) Where a General Disclosure Statement states that a person guarantees any Material obligations of the Registered Bank, and subclause (2) of this clause does not apply, the Supplemental Disclosure Statement shall contain a copy of the full guarantee contract and the most recent financial statements and group financial statements of the guarantor, together with a copy of the audit report (if any) relating to those statements, unless this information is already contained within the General Disclosure Statement.

(2) Where a General Disclosure Statement states that a person or persons have entered into any Material cross guaranteeing arrangements with the Registered Bank, the Supplemental Disclosure Statement shall contain a copy of the full guarantee contract if:

(a) there is a single contract which sets out the rights and obligations of all the cross guarantors; or

(b) there is a standard contract which is representative of the rights and obligations of each of the cross guarantors;

unless this information is already contained within the General Disclosure Statement.

20. Conditions of Registration—The Supplemental Disclosure Statement shall contain a copy of the Conditions of Registration which are applicable as at the date of the Disclosure Statement, unless this information is already contained within the General Disclosure Statement.

MARIE SHROFF, Clerk of the Executive Council.

First Schedule

Supplementary Financial Disclosures, and Asset Quality

Supplementary Financial Disclosures

1. The General Disclosure Statement shall contain, in respect of the Registered Bank and the Banking Group, for the Accounting Period or the Interim Accounting Period, or as at the Balance Date, as the case may be, the information required to be disclosed pursuant to clauses 3 and 4 of this Schedule.

2. The information required to be disclosed pursuant to clause 3 of this Schedule shall include comparative figures for the previous corresponding period.

3. Supplementary Information on the Statement of Financial Position

(1) Total interest earning and discount bearing assets;

(2) Total interest and discount bearing liabilities;

(3) Where assets presented in the statement of financial position have been used to secure any obligations, the nature and amount of those assets; and

(4) The nature and amount of any assets not legally

owned but presented in the statement of financial position.

4. Accounting Policies—

- (1) Accounting policies followed for Financial Instruments with respect to the basis for recognising revenues and expenses (including gains and losses), including:
 - (a) interest revenue and expense, and policies on inter-period allocations of interest revenue and expense;
 - (b) fee revenue and expenses, distinguishing between yield related and non yield related items, and policies in relation to inter-period allocations;
 - (c) recognising gains or losses on Investment Securities and Other Securities.
- (2) Accounting policies followed for recognising Financial Instruments in the financial reports or for treating Financial Instruments as unrecognised items, including:
 - (a) the classification and measurement of Investment Securities and Other Securities;
 - (b) accounting for sale and repurchase agreements, reverse sale and repurchase agreements or their option derivatives;
 - (c) whether securities are accounted for on a trade or settlement date basis;
 - (d) accounting for Financial Instruments which are used for hedging purposes;
 - (e) accounting for leases;
 - (f) accounting for foreign exchange contracts, interest rate contracts, and derivative instruments such as options, futures, and swaps;
 - (g) accounting for acceptances and endorsements of bills of exchange;
 - (h) accounting for loan transfers and the securitisation of Financial Assets.

Asset Quality

5. The information required to be disclosed pursuant to clauses 6 (a) and (b) of this Schedule shall include comparative figures for the previous corresponding period.

6. The General Disclosure Statement shall contain, in respect of the Registered Bank and Banking Group as at the Balance Date, the following information:

- (a) in respect of each of the following classes of assets:
 - (i) Non-Accrual Assets;
 - (ii) Restructured Assets;
 - (iii) Real Estate Assets Acquired Through the Enforcement of Security;
 - (iv) Other Assets Acquired Through the Enforcement of Security; and
 - (v) Past Due Assets;
 the following information:
 - (vi) the aggregate amount which has been recognised; and
 - (vii) the aggregate amount which has not been recognised;
 before deducting provisions for expected losses or provisions for diminution in asset value, and
 - (viii) the aggregate amount of Specific Provisions or provisions for diminution in asset value;
 - (ix) the aggregate amount of General Provisions (if any);
- (b) the amount of interest revenue foregone over the Accounting Period or Interim Accounting Period in

respect of holdings of Non-Accrual Assets and, where Material, holdings of Restructured Assets and Past Due Assets;

- (c) the basis on which the amounts disclosed pursuant to clause 6 (b) of this Schedule have been calculated;
- (d) information on movements in pre-provision balances over the Accounting Period or Interim Accounting Period for each of the classes of assets set out in subparagraphs (i) to (v) of clause 6 (a) of this Schedule, separately disclosing, where Material:
 - (i) pre-provision opening balance;
 - (ii) additions;
 - (iii) amounts written-off;
 - (iv) deletions;
 - (v) pre-provision closing balance;
- (e) information on movements in the balances of total Specific Provisions or provisions for diminution in asset value over the Accounting Period or Interim Accounting Period, for each of the classes of assets set out in subparagraphs (i) to (v) of clause 6 (a) of this Schedule, separately disclosing, where Material:
 - (i) opening balance;
 - (ii) charge (credit) to the statement of financial performance for increase/decrease in Specific Provisions or provisions for diminution in asset value;
 - (iii) amounts written off;
 - (iv) write-downs of Assets Acquired Through the Enforcement of Security;
 - (v) recoveries of provisions and write-offs charged in previous periods;
 - (vi) other movements, and the nature thereof;
 - (vii) closing balance;
 with movements reconciled to the charges allocated to the statement of financial performance; and
- (f) information on movements in the balance of the General Provision over the Accounting Period or Interim Accounting Period, separately disclosing, where Material:
 - (i) opening balance;
 - (ii) charge (credit) to statement of financial performance for increase/decrease in the General Provision;
 - (iii) other movements, and the nature thereof;
 - (iv) closing balance;
 with movements reconciled to the charges allocated to the statement of financial performance.

Second Schedule

Capital Adequacy of the Registered Bank and the Banking Group

1. The information required to be disclosed pursuant to clauses 5 and 6 of this Schedule shall include comparative figures for the previous corresponding period.

2. The General Disclosure Statement shall contain the information specified below, in such format as the Registered Bank determines, derived in accordance with the Conditions of Registration relating to capital adequacy and the Reserve Bank document entitled “Capital Adequacy Framework” (BS2) as amended from time to time, in respect of the Capital of the Registered Bank and the Banking Group, as at the Balance Date.

Capital

Tier One Capital

- (a) Issued and fully paid-up ordinary share capital
- (b) Perpetual fully paid up non-cumulative preference shares

- (c) Revenue and similar reserves
- (d) Current period's audited retained earnings
- (e) Tier one minority interests

Less: Deductions from tier one capital

(Specify each deduction)

Total Tier One Capital

Tier Two Capital

Upper Tier Two Capital

- (a) Unaudited retained profits
- (b) Revaluation reserves
- (c) General provisions for doubtful debts
- (d) Upper tier two capital instruments (specify)

Lower Tier Two Capital

- (e) Term subordinated debt
- (f) Other capital elements with original maturity of five years or more

Total Tier Two Capital

Tier One Capital plus Tier Two Capital

Less: Deductions from total capital (specify each deduction)

Capital

3. (1) The General Disclosure Statement shall contain the information specified below in respect of the Registered Bank and the Banking Group.

(2) For each class of equity share capital:

- (a) whether it is included in Tier One Capital or tier two capital;
- (b) the Material terms and conditions applying to that class including but not limited to:
 - (i) voting rights;
 - (ii) redemption, conversion or capital repayment options/facilities and their relevant terms or conditions;
 - (iii) terms or conditions of any predetermined dividend rate;

(iv) provision for any variation or suspension of dividend payments;

(v) any maturity date; and

(vi) any options granted or to be granted pursuant to any arrangement, the consideration given or to be given, the expiry date for the exercise and the total number of shares subject to such option;

(c) the total of cumulative preferred dividends in arrears; and

(d) a brief description of any other Material terms and conditions of issue of the securities including provisions of related contracts or arrangements.

(3) For every other class of capital instrument included in Capital:

(a) whether the class constitutes upper or lower tier two capital;

(b) the priority or ranking in point of security, payment or claims of the class; and

(c) all other Material terms and conditions of issue of the class, including any related contracts or arrangements.

(4) The nature and amount of each reserve.

4. The General Disclosure Statement shall contain the information specified below, in such format as the Registered Bank determines, derived in accordance with the Conditions of Registration relating to capital adequacy and the Reserve Bank document entitled "Capital Adequacy Framework" (BS2) as amended from time to time, in respect of the Registered Bank and the Banking Group, as at the Balance Date.

RISK WEIGHTED EXPOSURES

(1) Calculation of Balance Sheet Exposures

Principal Amount	Risk Weight	Risk Weighted Exposure
Cash and short term claims on Government	0%	
Long term claims on Government	10%	
Claims on banks	20%	
Claims on public sector entities	20%	
Residential mortgages	50%	
Other	100%	
Total assets		

(2) Calculation of Off-Balance Sheet Exposures

Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Average Counterparty Risk Weight	Risk Weighted Exposure
Direct credit substitutes	100%			
Asset sales with recourse	100%			
Commitments with certain drawdown	100%			
Underwriting and sub-underwriting facilities	50%			
Transaction related contingent items	50%			
Short term, self liquidating trade related contingencies	20%			
Other commitments to provide financial services which have an original maturity of 1 year or more	50%			
Other commitments with an original maturity of less than 1 year or which can be unconditionally cancelled at any time	0%			
Market related contracts ¹	NA			
(a) Foreign exchange contracts				
(b) Interest rate contracts				
(c) Other				
Total off-balance sheet exposures				
Risk Weighted Exposures				

¹ Specify whether the current exposure or original exposure method was used to calculate the credit equivalent amount on these contracts.

5. The General Disclosure Statement shall contain the information specified below, derived in accordance with the Conditions of Registration relating to capital adequacy and the Reserve Bank document entitled "Capital Adequacy Framework" (BS2) as amended from time to time, in respect of the capital adequacy ratios of the Registered Bank and the Banking Group, as at the Balance Date:

- (a) Tier One Capital expressed as a percentage of risk weighted exposures; and
- (b) Capital expressed as a percentage of risk weighted exposures.

6. Where the Registered Bank is a Subsidiary of an Ultimate Parent Bank:

- (a) the General Disclosure Statement shall contain the most recent publicly available information specified

below in respect of the Ultimate Parent Bank and the Ultimate Parent Bank group:

- (i) Tier One Capital expressed as a percentage of risk weighted exposures;
 - (ii) Capital expressed as a percentage of risk weighted exposures; and
 - (iii) the date to which the measures of Tier One Capital and Capital relate;
- (b) the General Disclosure Statement shall contain a statement as to:
- (i) whether the Ultimate Parent Bank or Ultimate Parent Bank group is required by the appropriate banking supervisory authority in its country of domicile to hold minimum Capital at least equal to that specified under the Basle framework; and
 - (ii) to the extent that the information is publicly available, whether the Ultimate Parent Bank or Ultimate Parent Bank group meets those requirements imposed on it by the appropriate banking supervisory authority in its country of domicile as at the latest Balance Date.

Third Schedule

Concentration of Credit Exposures to Individual Counterparties

1. For the purposes of this Schedule, Credit Exposure information shall be disclosed either on the basis of:

- (a) actual Credit Exposures; or
- (b) internal limits provided that those limits were not Materially exceeded during the Accounting Period or the Interim Accounting Period.

The General Disclosure Statement shall state the method used.

2. For the purposes of this Schedule:

- (a) the information disclosed shall include comparative figures for the previous corresponding period;
- (b) Credit Exposure information shall be calculated net of Specific Provisions, and shall exclude Credit Exposures to Connected Persons and any OECD Government.

3. The General Disclosure Statement shall disclose:

- (a) the number of individual Bank Counterparties (not being members of a Group of Closely Related Counterparties) and Groups of Closely Related Counterparties of which a Bank is the parent; and
- (b) the number of individual non Bank Counterparties (not being members of a Group of Closely Related Counterparties) and Groups of Closely Related Counterparties of which a Bank is not the parent;

to whom the Banking Group has an aggregate Credit Exposure which equals or exceeds 10% of the Banking Group's Equity:

- (i) as at the Balance Date; and
- (ii) in respect of peak end-of-day aggregate Credit Exposure for the most recent quarter of the Accounting Period or Interim Accounting Period;

in successive ranges of 10% of Equity, commencing at 10% of Equity.

4. For the purposes of this Schedule, peak end-of-day aggregate Credit Exposure to each individual Counterparty or a Group of Closely Related Counterparties for the most recent quarter of the Interim Accounting Period or the Accounting Period shall be derived by determining the maximum end-of-day aggregate amount of Credit Exposure over the quarter, and then dividing that amount by:

- (a) the Banking Group's Equity as at the end of the quarter; or

(b) the Banking Group's Equity at the date the maximum end-of-day aggregate amount of Credit Exposure occurred.

A Registered Bank shall state in the General Disclosure Statement which of the methods it has used to derive peak ratio information.

Fourth Schedule

Credit Exposures to Connected Persons

1. For the purposes of this Schedule, Credit Exposure information shall be disclosed either on the basis of:

- (a) actual Credit Exposures; or
- (b) internal limits, provided that those limits were not Materially exceeded during the Accounting Period or the Interim Accounting Period.

The General Disclosure Statement shall state the method used.

2. Information disclosed in accordance with this Schedule:

- (a) shall be derived in accordance with the Conditions of Registration relating to Connected Persons; and
- (b) shall include comparative figures for the previous corresponding period.

3. The General Disclosure Statement shall disclose the aggregate Credit Exposure of the Banking Group to:

- (a) Connected Persons; and
 - (b) non-Bank Connected Persons;
- expressed both as an amount and as a percentage of Tier One Capital:

- (i) as at the Balance Date; and
- (ii) in respect of peak end-of-day aggregate Credit Exposure for the most recent quarter of the Accounting Period or Interim Accounting Period.

The General Disclosure Statement shall contain a statement that the information on Credit Exposure to Connected Persons has been derived net of Specific Provisions, and gross of set-offs.

4. For the purposes of this Schedule, peak end-of-day aggregate Credit Exposure to Connected Persons for the most recent quarter of the Interim Accounting Period or the Accounting Period shall be derived by determining the maximum end-of-day aggregate amount of Credit Exposure over the quarter, and then dividing that amount by:

- (a) the Banking Group's Tier One Capital as at the end of the quarter; or
- (b) the Banking Group's Tier One Capital at the date the maximum end-of-day aggregate amount of Credit Exposure occurred.

A Registered Bank shall state in the General Disclosure Statement which of these methods it has used to derive peak ratio information.

5. The General Disclosure Statement shall contain a statement of the aggregate amount of contingent exposures of the Banking Group to Connected Persons, arising from risk lay-off arrangements in respect of Credit Exposures to Counterparties (other than Counterparties which are Connected Persons), as at the Balance Date.

6. The General Disclosure Statement shall contain a statement of the aggregate amount of the Banking Group's Specific Provisions provided against Credit Exposures to Connected Persons as at the Balance Date.

Fifth Schedule

Securitisation, Funds Management, and Other Fiduciary Activities

1. The General Disclosure Statement shall contain the information required to be disclosed pursuant to clauses 3 to 10 of this Schedule in respect of the Banking Group.

2. The information required to be disclosed pursuant to clauses 5, 7 and 9 of this Schedule shall include comparative figures for the previous corresponding period.

3. A statement of the nature of the Banking Group's involvement in:

(a) trust, custodial, funds management, and other fiduciary activities established, marketed, and/or sponsored by a member of the Banking Group; and

(b) the origination of securitised assets, and in the marketing or servicing of securitisation schemes.

4. A statement as to whether arrangements have been put in place to ensure that difficulties arising from the activities specified in clause 3 of this Schedule would not impact adversely on the Banking Group, and if so, the nature of those arrangements.

5. A statement of the amount as at the Balance Date represented by each of the activities specified in clause 3 of this Schedule (where practicable in the case of custodial activities), disclosed according to the nature of the activity.

6. A statement as to whether over the Accounting Period or Interim Accounting Period:

(a) financial services provided by any member of the Banking Group to entities which conduct the activities specified in clause 3 of this Schedule have been provided on arms length terms and conditions and at fair value; and

(b) assets purchased from entities which conduct the activities specified in clause 3 of this Schedule have been purchased on arms length terms and conditions and at fair value.

7. The peak end-of-day aggregate amount of funding (including funding provided by the purchase of securities issued by entities which conduct the activities specified in clause 3 of this Schedule) the Banking Group has provided over the most recent quarter of the Accounting Period or Interim Accounting Period to the entities which conduct the activities specified in clause 3 of this Schedule, expressed as an amount and as a percentage of Tier One Capital.

8. For the purposes of clause 7 of this Schedule, the peak end-of-day aggregate amount of funding for the most recent quarter of the Interim Accounting Period or the Accounting Period shall be derived by determining the maximum end-of-day aggregate amount of funding over the quarter, and then dividing that amount by:

(a) the Banking Group's Tier One Capital as at the end of the quarter; or

(b) the Banking Group's Tier One Capital as at the date the maximum end-of-day aggregate amount of funding occurred.

A Registered Bank shall state in the General Disclosure Statement which of these methods it has used to derive peak ratio information.

9. The peak end-of-day aggregate amount of funding (including funding provided by the purchase of securities issued by entities which conduct the activities specified in clause 3 of this Schedule) provided by the Banking Group over the most recent quarter of the Accounting Period or Interim Accounting Period to any individual entity which conducts the activities specified in clause 3 of this Schedule, expressed as an amount and as a percentage of the amount of securities issued by that particular entity.

10. For the purposes of clause 9 of this Schedule, the peak end-of-day aggregate amount of funding provided to any individual entity for the most recent quarter of the Interim Accounting Period or the Accounting Period shall be derived by determining the maximum end-of-day aggregate amount of funding provided over the quarter, and then dividing that amount by:

(a) the amount of the entity's assets as at the end of the quarter; or

(b) the amount of the entity's assets as at the date the maximum end-of-day aggregate amount of funding occurred.

A Registered Bank shall state in the General Disclosure Statement which of these methods it has used to derive peak ratio information.

Sixth Schedule

Risk Management Policies

1. In respect of the Banking Group, for each of the following categories of risk:

(a) Credit Risk, including concentrations of Credit Risk, intra-day Credit Risk, Credit Risk to Bank Counterparties and related party Credit Risk;

(b) Currency Risk;

(c) Interest Rate Risk;

(d) Equity Risk;

(e) liquidity risk;

(f) any other Material business risk to which the Banking Group is exposed;

the General Disclosure Statement shall contain the information set out in clause 2 of this Schedule.

2. In relation to each risk identified in clause 1 of this Schedule, the General Disclosure Statement shall contain:

(a) an explanation of the nature of the risk and the activities of the Banking Group which give rise to that risk;

(b) a general description of the methods used to identify and monitor exposure to the risk, including the frequency with which exposures are monitored; and

(c) a general description of the systems and procedures for controlling the risk, including, where applicable, whether exposure limits are employed, any policies with respect to collateral or other security, and any policies on the use of Financial Instruments to mitigate or hedge risks.

3. The General Disclosure Statement shall contain a statement as to the nature and frequency of any reviews conducted in respect of the Banking Group's risk management systems, including a statement as to whether any such reviews were conducted by a party external to the Banking Group, Ultimate Parent Bank or Ultimate Holding Company.

4. The General Disclosure Statement shall contain a statement as to whether the Banking Group has an internal audit function and, if so, its nature, including:

(a) organisational status, including formal and administrative reporting procedures;

(b) reference to the existence of an audit committee and, if applicable, the nature and scope of that committee; and

(c) scope of the internal audit function, including type and frequency of audits.

Seventh Schedule

Exposures to Market Risk

1. (1) A Registered Bank shall disclose the amount of Aggregate Market Risk Exposures of the Banking Group in respect of each category of Aggregate Market Risk Exposure on the basis of:

(a) Aggregate Market Risk Exposures derived in accordance with Schedule 8 of this Order; or

(b) the Banking Group's internal operating limits applicable to the relevant category of Aggregate Market Risk Exposure, but only if the Aggregate

Market Risk Exposure in that category has not materially exceeded those limits at any time during the Accounting Period.

(2) The General Disclosure Statement shall state which of the above methods is used, and where the method used is that set out in clause 1 (1) (a) of this Schedule, shall also state which of the methods described in clauses 1, 8 and 11 of the Eighth Schedule (for deriving Aggregate Interest Rate Exposure, Aggregate Foreign Currency Exposure and Aggregate Equity Exposure respectively) is used.

(3) Where, in respect of a category of Aggregate Market Risk Exposure, a Registered Bank uses different methods to derive Aggregate Market Risk Exposure in that category as at Balance Date, and in respect of peak end-of-day exposure since the commencement of the Accounting Period, the Registered Bank shall identify, in relation to each of the disclosures made pursuant to this Schedule, the method used.

2. The information required to be disclosed pursuant to clause 3 of this Schedule shall include comparative figures for the previous corresponding period.

3. The General Disclosure Statement shall disclose in respect of the Banking Group :

- (a) Aggregate Interest Rate Exposure;
- (b) Aggregate Foreign Currency Exposure; and
- (c) Aggregate Equity Exposure;

expressed both as an amount and as a percentage of the Banking Group's Equity:

- (i) as at Balance Date; and
- (ii) in respect of peak end-of-day exposures for the most recent quarter of the Accounting Period or Interim Accounting Period.

4. For the purposes of this Schedule, peak end-of-day exposure to each category of Aggregate Market Risk Exposure for the most recent quarter of the Interim Accounting Period or the Accounting Period shall be derived by determining the maximum end-of-day Aggregate Market Risk Exposure over the quarter, and then dividing that amount by:

- (a) the Banking Group's Equity as at the end of the quarter; or
- (b) the Banking Group's Equity at the date the maximum end-of-day Aggregate Market Risk Exposure occurred.

A Registered Bank shall state in the General Disclosure Statement which of these methods it has used to derive peak ratio information.

Eighth Schedule

Measurement of Market Risk Exposure

Aggregate Interest Rate Exposure

1. The Registered Bank shall derive the amount of Aggregate Interest Rate Exposure of the Banking Group in accordance with either:

- (a) clauses 2 to 7 of this Schedule; or
- (b) any other method, but only if the Aggregate Interest Rate Exposure derived in accordance with that method is not, in the opinion of the Registered Bank (such opinion to be based on reasonable grounds), materially lower than the amount derived pursuant to clause 1 (a) of this Schedule.

2. Interest Rate Exposure in a Single Currency—Interest Rate Exposure in a single currency is the total of:

- (a) the directional interest rate risk;
- (b) the vertical disallowance; and
- (c) the horizontal disallowance;

in that currency.

3. Exposure to Directional Interest Rate Risk in a Single Currency—(1) The amount of directional interest rate risk in a single currency shall be derived by subtracting the aggregate amount of the change in the value of each Financial Liability (excluding equity instruments) of the Banking Group arising from a directional change in interest rates in that currency from the aggregate amount of the change in the value of each Financial Asset (excluding equity instruments) of the Banking Group, arising from a directional change in interest rates in that currency.

(2) The value of a Financial Instrument is:

- (a) in the case of an unrecognised Financial Instrument and a recognised Financial Instrument which is a market related contract, the face or contract amount of the Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate; and
- (b) in the case of other Financial Instruments, the carrying amount of the Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate.

(3) The change in the value of a Financial Instrument is derived by multiplying the value, or proportion of the value, of the Financial Instrument allocated to the applicable time band specified in Table 1, in accordance with clause 3 (4), by the risk weight specified for that time band in Table 1.

Table 1: Time Bands, Risk Weights, and Assumed Interest Rate Changes

	Time Bands							
	up to 1 mth	1-6 mths	6-12 mths	1-2 yrs	2-4 yrs	4-6 yrs	6-10 yrs	Over 10 yrs
Assumed Interest Rate Change(%)	1.0	1.0	1.0	0.9	0.8	0.7	0.6	0.6
Risk weights (%)	0	0.3	0.7	1.3	2.0	3.0	3.5	4.4

(4) Subject to clauses 3 (5) and 3 (6) of this Schedule, the value of each Financial Instrument, or a proportion of it, shall be allocated to the time band specified in Table 1 in a manner which the Registered Bank believes, on reasonable grounds, reflects the date on which the interest rate applicable to the Financial Instrument, or proportion of the Financial Instrument, will be altered, or the date at which the principal, or a proportion of the principal, will be paid, notwithstanding the Interest Rate Repricing Date of the Financial Instrument.

(5) Notwithstanding clause 3 (4) of this Schedule:

- (a) a Registered Bank may exclude from the application of clause 3 (4) of this Schedule the value, or the appropriate proportion of the value, of those Financial Instruments which meet the netting criteria contained in clause 4; and
- (b) the aggregate value, or the appropriate proportion of the aggregate value, of all Rate Insensitive Retail Assets and of all Rate Insensitive Retail Liabilities shall be allocated to the time bands specified in Table 2 in accordance with the percentages set out in Table 2.

Table 2: Allocation of the value of Rate Insensitive Retail Products across time bands

	Time Bands					
	up to 1 mth	1-6 mths	6-12 mths	1-2 yrs	2-4 yrs	4-6 yrs
Percentage of aggregate value	5%	5%	10%	20%	40%	20%

(6) A Registered Bank may exclude the value of options and, instead, use its own methodology to determine the Interest Rate Exposure in any currency arising from options and add the amount so derived to the total Interest Rate Exposure in that currency.

4. Netting Criteria—A Registered Bank may exclude the value of Financial Instruments in respect of which it has matched positions which meet any one of the following criteria:

- (a) the matched position comprises the same Financial

Instruments with the same issuer, coupon, currency and maturity; or

(b) (i) with respect to matched positions comprising futures, the underlying Financial Instruments to which the futures relate must:

- (A) be for the same product;
- (B) have the same value or notional value;
- (C) be denominated in the same currency; and
- (D) mature within seven days of each other; or

(ii) with respect to matched positions comprising swaps (including separate legs of different swaps) or FRAs, the underlying Financial Instruments to which the swaps or FRAs relate must:

- (A) be for the same product;
- (B) have the same value or notional value;
- (C) be denominated in the same currency;
- (D) have reference rates (for floating rate positions) which are identical;
- (E) have coupon rates which are identical or which do not differ by more than 15 basis points; and
- (F) have the time to run before the next Interest Rate Repricing Date within the following limits:

Earliest Repricing Date	Limits
Less than one month hence:	same day
Between one month and one year hence:	within seven days
More than one year hence:	within thirty days;
or	

(iii) with respect to matched positions comprising forwards, the underlying Financial Instruments to which the forwards relate must:

- (A) be for the same product;
- (B) have the same value or notional value;
- (C) be denominated in the same currency; and
- (D) have the time to run before the next Interest Rate Repricing Date within the following limits:

Earliest Repricing Date	Limits
Less than one month hence:	same day
Between one month and one year hence:	within seven days
More than one year hence:	within thirty days.

5. The Amount of Vertical Disallowance in a Single Currency—(1) The amount of vertical disallowance in a single currency is the sum of the vertical disallowances calculated in accordance with clause 5 (2) for each of the time bands specified in Table 1 of this Schedule.

(2) The amount of vertical disallowance in a time band shall be calculated as follows:

- (a) derive the risk weighted matched position in the time band (which is either the lesser of the sum of the absolute values of the Financial Assets and the sum of the absolute values of the Financial Liabilities in that time band, or, if those sums are equal, that sum, multiplied by the risk weight for that time band);
- (b) derive the risk weighted value of the Rate Insensitive Retail Products in that time band (which is the sum of the absolute values of the Rate Insensitive Retail Assets and Rate Insensitive Retail Liabilities in that time band multiplied by the risk weight for that time band);
- (c) if the risk weighted matched position is less than or

equal to the risk weighted value of the Rate Insensitive Retail Products in a time band, then the vertical disallowance amount for that time band is the risk weighted matched position multiplied by 20%;

(d) if the risk weighted matched position is greater than the risk weighted value of the Rate Insensitive Retail Products in a time band, then the vertical disallowance amount for that time band is:

- (i) the risk weighted value of the Rate Insensitive Retail Products multiplied by 20%; plus
- (ii) the difference between the risk weighted matched position and the risk weighted value of the Rate Insensitive Retail Products, multiplied by 5%.

(3) The vertical disallowance in a currency shall have the same sign (positive or negative) as the directional risk calculated for that currency.

6. The Amount of Horizontal Disallowance in a Single Currency—(1) The amount of horizontal disallowance in a single currency shall be calculated in accordance with clauses 6 (2) to 6 (6).

(2) Allocate the time bands specified in Table 1 of this Schedule to the three time zones specified in Table 3:

Time Bands	Time Zones
up to 1 month	Zone 1
1-6 months	
6-12 months	
1-2 years	Zone 2
2-4 years	
4-6 years	Zone 3
6-10 years	
over 10 years	

(3) Calculate the amount of the intra-zone disallowance in each time zone as follows:

- (a) derive the risk weighted net position in each time band (which is the amount of the risk weighted Financial Assets less the amount of the risk weighted Financial Liabilities in that time band). If the risk weighted net position in a time band is positive, this is a risk weighted long position and if it is negative, this is a risk weighted short position;
- (b) derive the aggregate risk weighted long position in each time zone (which is the sum of any risk weighted long positions in the time bands in that time zone) and the aggregate risk weighted short position in each time zone (which is the sum of any risk weighted short positions in the time bands in that time zone);
- (c) derive the matched position in each time zone (which is either the lesser of the absolute value of the aggregate risk weighted long position and the absolute value of the aggregate risk weighted short position in that time zone, or, if the absolute values of those positions are equal, that absolute value), if any;
- (d) the amount of intra-zone disallowance in a time zone is the value of the matched position in that time zone multiplied by the disallowance factor for that time zone specified in Table 4. If there is no matched position in a time zone, the amount of the intra-zone disallowance in that time zone is zero.

Time Zones	Disallowance Factors
Zone 1	40%
Zone 2	30%
Zone 3	30%

(4) Calculate the amount of the inter-zone disallowances as follows:

- (a) inter-zone disallowances are derived in the following order: time zones 1 and 2, 2 and 3, and 1 and 3. The inter-zone disallowance factors which must be used to derive the inter-zone disallowance amounts are specified in Table 5;

Table 5: Inter-zone disallowances

Time Zones	Disallowance Factors
Zones 1 and 2	40%
Zones 2 and 3	40%
Zones 1 and 3	100%

- (b) derive the residual position in each time zone (which is the net amount of the aggregate risk weighted long position and the aggregate risk weighted short position). If the residual position is positive this is a residual long position and if it is negative this is a residual short position;
- (c) there is a matched position between time zones 1 and 2 if there is a residual long position in one time zone and a residual short position in the other. The matched position is either the smaller of the absolute value of the residual long position and the absolute value of the residual short position, or, if the absolute values of those positions are equal, that absolute value. If there is no matched position, the amount of horizontal disallowance is zero. If there is a matched position, then the amount of horizontal disallowance between time zones 1 and 2 is the value of the matched position multiplied by the disallowance factor for time zones 1 and 2 specified in Table 5;
- (d) derive the net residual position in time zone 2, by taking the difference between the absolute value of the residual position in time zone 2 and the matched position between time zones 1 and 2, and allocating to that amount, if any, the sign of the residual position in time zone 2. If the net residual position in time zone 2 is positive this is a net residual long position and if it is negative this is a net residual short position;
- (e) there is a matched position between time zones 2 and 3 if there is a net residual long position in time zone 2 and a residual short position in time zone 3 or a net residual short position in time zone 2 and a residual long position in time zone 3. The matched position is either the smaller of the absolute value of those residual positions, or, if the absolute values of those positions are equal, that absolute value. If there is no matched position, the amount of the horizontal disallowance is zero. If there is a matched position then the amount of horizontal disallowance between time zones 2 and 3 is the value of the matched position multiplied by the disallowance factor for time zones 2 and 3 specified in Table 5;
- (f) derive the net residual position in time zone 1 and in time zone 3:
- (i) in time zone 1, by taking the difference between the absolute value of the residual position in time zone 1 and the matched position between time zones 1 and 2, and allocating to that amount, if any, the sign of the residual position in time zone 1;
- (ii) in time zone 3, by taking the difference between the absolute value of the residual position in time zone 3 and the matched position between time zones 2 and 3, and allocating to that amount, if any, the sign of the residual position in time zone 3,
- (if the net residual position in a time zone is positive this is a net residual long position and if it is negative this is a net residual short position);
- (g) there is a matched position between time zones 1 and 3 if there is a net residual long position in one time zone and a net residual short position in the other. The matched position is either the smaller of the absolute value of the net residual long position and the absolute value of the net residual short position, or, if the absolute values of those positions are equal, that absolute value. If there is no matched position, the amount of horizontal disallowance is zero. If there is a matched position then the amount of horizontal disallowance between time zones 1 and 3 is the value

of the matched position multiplied by the disallowance factor for time zones 1 and 3 specified in Table 5.

(5) The amount of the horizontal disallowance in a single currency is the aggregate of the amounts of intra-zone disallowances and inter-zone disallowances in that currency.

(6) The horizontal disallowance in a currency shall have the same sign (positive or negative) as the directional risk calculated for that currency.

7. Aggregate Interest Rate Exposure For All Currencies—A Banking Group's Aggregate Interest Rate Exposure is the greater of the absolute value of the sum of any positive Interest Rate Exposures and the absolute value of the sum of any negative Interest Rate Exposures.

Aggregate Foreign Currency Exposure

8. The Registered Bank shall derive the amount of Aggregate Foreign Currency Exposure in accordance with either:

- (a) clauses 9 and 10 of this Schedule; or
- (b) any other method, but only if the Aggregate Foreign Currency Exposure derived in accordance with that method is not, in the opinion of the Registered Bank (such opinion to be based on reasonable grounds), Materially lower than the amount derived pursuant to clause 8 (a) of this Schedule.

9. Foreign Currency Exposure in a Single Foreign Currency—(1) Subject to clauses 9 (2) and 9 (4) of this Schedule, a Banking Group's Foreign Currency Exposure in a single foreign currency is derived by:

- (a) subtracting the aggregate amount of the value of Financial Liabilities (whether recognised or unrecognised) of the Banking Group in that foreign currency from the aggregate amount of the value of the Financial Assets (whether recognised or unrecognised) of the Banking Group in that foreign currency; and
- (b) multiplying the amount derived in clause 9 (a) of this Schedule by 0.08.

(2) Subject to clause 9 (3), the value of a Financial Instrument is either:

- (a) (i) in the case of an unrecognised Financial Instrument and a recognised Financial Instrument which is a market related contract, the face or contract amount of the Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate; and
- (ii) in the case of other Financial Instruments, the carrying amount of the Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate; or

(b) the present value of that Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate.

(3) Notwithstanding clause 9 (2) of this Schedule, the value of options in a single foreign currency shall be either the delta equivalent value, or a value derived using the Registered Bank's own method for valuing the open position arising from options in that foreign currency.

(4) For the purposes of clause 9 (1) of this Schedule, Financial Instruments which have been issued by associates of the Registered Bank or which have been included in the Capital of the Banking Group shall not be included in the calculation of the Banking Group's Foreign Currency Exposure.

10. Aggregate Foreign Currency Exposure—A Banking Group's Aggregate Foreign Currency Exposure is the absolute value of the greater of the sum of any positive

Foreign Currency Exposures and the sum of any negative Foreign Currency Exposures.

Aggregate Equity Exposure

11. The Registered Bank shall derive the amount of its Aggregate Equity Exposure in accordance with either:

- (a) clauses 12 and 13 of this Schedule; or
- (b) any other method, but only if the Aggregate Equity Exposure derived in accordance with that method is not, in the opinion of the Registered Bank (such opinion to be based on reasonable grounds), materially lower than the amount derived pursuant to clause 11 (a) of this Schedule.

12. **Equity Exposure in a single currency**—(1) Subject to clauses 12 (2) and 12 (3) of this Schedule a Banking Group's Equity Exposure in a single currency is derived by:

- (a) subtracting the aggregate amount of the value of all of the equity instruments (whether recognised or unrecognised) of the Banking Group in that currency that are Financial Liabilities from the aggregate amount of the value of all the equity instruments (whether recognised or unrecognised) of the Banking Group in that currency that are Financial Assets; and
- (b) multiplying the amount derived in clause 12 (a) of this Schedule by 0.08.

(2) Notwithstanding clause 12 (1) of this Schedule, the value of equity instruments issued by associates of the Registered Bank shall not be included in the calculation of the Banking Group's Equity Exposure.

(3) Subject to clause 12 (4) of this Schedule, the value of an equity instrument is:

- (a) in the case of an unrecognised equity instrument and a recognised equity instrument which is a market related contract, the face or contract amount of the equity instrument expressed in New Zealand dollars using the relevant spot exchange rate; and
- (b) in the case of other equity instruments, the carrying amount of the equity instrument expressed in New Zealand dollars using the relevant spot exchange rate.

(4) Notwithstanding clause 12 (3) of this Schedule, the value of:

- (a) a net equity futures position is the marked-to-market value of the notional underlying equity position; and
- (b) a net equity option position is the delta equivalent value.

13. **Aggregate Equity Exposure**—The Banking Group's Aggregate Equity Exposure is the sum of the absolute values of the Equity Exposures in each currency.

Explanatory Note

This note is not part of the Order in Council, but is intended to indicate its general effect.

This Order in Council is promulgated pursuant to section 81 (1) of the Reserve Bank of New Zealand Act 1989 and applies to a registered bank which is incorporated in New Zealand, in respect of each such bank's end of financial year and half year.

The Order in Council is one of four which replace four original Orders promulgated in 1995, and amended in 1996. The 1995 Orders provided for a public disclosure regime for registered banks, and replaced prospectus requirements imposed under the Securities Act 1978 on registered banks in respect of their offers of debt securities to the public.

More specifically, this Order in Council replaces the Registered Bank Disclosure Statement (Full and Half-Year—New Zealand Incorporated Registered Banks) Order 1995 and the Registered Bank Disclosure Statement (Full and Half-Year—New Zealand Incorporated

Registered Banks) Amendment Order 1996, and comes into force on 1 October 1998.

This Order integrates the disclosure requirements of the 1995 Order and its 1996 amendment, and aligns and cross-references them to the reporting requirements of the accounting standard FRS-33: *Disclosure of Information by Financial Institutions* (FRS-33 was approved by the Accounting Standards Review Board in April 1997, and came into effect for accounting periods beginning on 1 April 1997). It also revises the disclosure requirements of the previous Orders in the light of the experience gained with the disclosure regime for registered banks since its commencement in 1996.

A description of the principal provisions of the revised disclosure regime is given below.

Under the disclosure regime, all registered banks are required to issue a public disclosure statement each quarter. The disclosure statement required to be published pursuant to this Order in Council comprises a Key Information Summary, a General Disclosure Statement and, if applicable, a Supplemental Disclosure Statement.

The Key Information Summary provides a brief summary of key financial information on the registered bank and its banking group, and must be made available free of charge immediately upon request. The Key Information Summary must also be displayed prominently in each bank branch and in any other customer-accessible bank premises, and made available or displayed on a bank's internet website.

The General Disclosure Statement is required to contain a comprehensive range of financial and corporate information on the bank and its banking group. The General Disclosure Statement need not be displayed in each bank branch, but must be made available free of charge, immediately if the request is made at a bank's head office, or within five working days if the request is made at a bank branch or at any customer-accessible bank premises other than the head office. The information required to be included in a General Disclosure Statement includes:

- a general information on the structure of the bank, the members of the banking group and information on guarantee arrangements (where applicable);
- b a statement as to whether the bank has a credit rating, and if so, a disclosure of that rating;
- c comprehensive financial statements for the bank and banking group, prepared in accordance with generally accepted accounting practice, including asset quality and risk concentration information;
- d information on capital adequacy (using the Reserve Bank of New Zealand's capital adequacy framework);
- e information, both as at the end of the half year or full year and peak over the most recent quarter of the accounting period to date, on exposure concentrations to individual counterparties and groups of closely related counterparties and to connected persons;
- f market risk information, both as at the end of the half year or full year and peak over the most recent quarter of the accounting period to date, on the banking group's interest rate exposure, foreign currency exposure and equity exposure. A bank is required to disclose its exposure to each of these categories of market risk, as an amount and as a percentage of the banking group's equity;
- g descriptions of the banking group's policies and systems for identifying, monitoring and managing its risks;
- h statements signed by the directors of the bank, including an attestation as to whether the directors are satisfied that the banking group's internal controls are adequate for managing the group's material business risks and whether the controls have been properly applied over the reporting period, and a statement that the disclosure statement is not false or misleading;

- i information on the banking group's funds management and securitisation activities, to the extent it has any;
- j information on the directorate and auditors of the bank.

A bank is required to calculate market risk exposures using either the method specified in the Order, or a different method provided that such method does not give a result which would be materially lower than that arrived at by the method specified in the Order.

Each bank must publish a Supplemental Disclosure Statement, unless the information it would include is contained in the General Disclosure Statement. The Supplemental Disclosure Statement must be made available free of charge, immediately if the request is made at a bank's head office, or within five working days if the request is made at a bank branch or at any customer-accessible bank premises other than the head office. This Order in Council requires the following information to be contained in a Supplemental Disclosure Statement:

- a the conditions of registration imposed by the Reserve Bank on the registered bank pursuant to section 74 of the Reserve Bank of New Zealand Act;
- b the contract of guarantee and financial statements of any guarantor, where the material obligations of the registered bank are guaranteed;
- c where the registered bank has entered into any material cross guaranteeing arrangements, a copy of the full guarantee contract if there is a contract which sets out, or is representative of, the rights and obligations of all the cross guarantors.

A bank has three months after its balance date or interim balance date in which to publish the disclosure statements required by this Order in Council.

The disclosure statement in respect of the end of a financial year is subject to full external audit. The disclosure statement prepared as at the half year is subject to a limited review by an external auditor, although a registered bank may elect to obtain a full external audit. With the exception of the market risk information, the audit opinions at both of these periods concern whether the information disclosed gives a true and fair view of the matters to which it relates. The audit opinion on the market risk information relates to whether the information disclosed complies with the provisions of this Order for determining and disclosing that information.

The disclosure statements required by this Order in Council must be signed by all the directors of the bank. A director may authorise in writing another person to sign on his or her behalf.

In addition, the Order in Council makes provision for the Reserve Bank to require a newly registered bank to publish an initial disclosure statement, so that there is no gap between the time the bank commences business and the time a disclosure statement is made available to its customers.

The Reserve Bank of New Zealand Act provides for criminal and civil penalties where a bank's disclosure statement is found to be false or misleading.

This Order in Council is administered in the Reserve Bank of New Zealand.

Registered Bank Disclosure Statement (Off-Quarter—New Zealand Incorporated Registered Banks) Order 1998

MICHAEL HARDIE BOYS, Governor-General
ORDER IN COUNCIL

At Wellington this 24th day of August 1998

Present:

HIS EXCELLENCY THE GOVERNOR-GENERAL IN COUNCIL

Pursuant to section 81(1) of the Reserve Bank of New Zealand Act 1989, His Excellency the Governor-General, acting by and with the advice and consent of the Executive Council, and on the advice of the Treasurer given in accordance with a recommendation of the Reserve Bank of New Zealand, hereby makes the following Order.

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3. Form, Frequency and Distribution of Short Form Disclosure Statement
4. General Provisions Relating to Content of Short Form Disclosure Statement

Part II—Key Information Summary

5. Content of Key Information Summary

Part III—General Disclosures to be Contained in General Short Form Disclosure Statement

6. General Matters
7. Guarantee Arrangements
8. Conditions of Registration
9. Credit Ratings

Part IV—Financial and Supplementary Disclosures to be Contained in General Short Form Disclosure Statement

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6. Securitisation, Funds Management, and Other Fiduciary Activities
7. Risk Management Policies
8. Exposures to Market Risk
9. Measurement of Market Risk Exposure

O r d e r

1. Title, Application and Commencement—(1) This Order may be cited as the Registered Bank Disclosure Statement (Off-Quarter—New Zealand Incorporated Registered Banks) Order 1998.

(2) This Order applies to every Registered Bank incorporated in New Zealand.

(3) This Order shall come into force on the 1st day of

October 1998 and replaces the Registered Bank Disclosure Statement (Off-Quarter—New Zealand Incorporated Registered Banks) Order 1995 which is hereby consequentially revoked.

(4) The first Short Form Disclosure Statement required by this Order in respect of a Registered Bank shall be in respect of the first Off Quarter Balance Date which occurs after 1 October 1998.

Part I

Preliminary

2. Interpretation—(1) Any term or expression used in this Order that is not defined in this Order:

- (a) which is defined in the Act shall, unless the context otherwise requires, have the meaning given to it by the Act;
 - (b) which is not defined in the Act and which is defined in the Conditions of Registration shall, unless the context otherwise requires, have the meaning given to it by the Conditions of Registration; and
 - (c) which is not defined in the Act or in the Conditions of Registration shall, unless the context otherwise requires, be interpreted in compliance with generally accepted accounting practice (as that term is defined in section 3 of the Financial Reporting Act 1993).
- (2) References in this Order to the singular include the plural and vice versa.
- (3) In this Order a reference to an 'FRS' is a reference to a Financial Reporting Standard approved or given authoritative support from time to time by the Accounting Standards Review Board pursuant to sections 24 and 27 of the Financial Reporting Act 1993.
- (4) In this Order, unless the context otherwise requires:

'Accounting Period' has the meaning set out in the Companies Act 1993.

'Act' means the Reserve Bank of New Zealand Act 1989.

'Address for Service' in relation to:

- (a) an individual, means the address of their usual place of business in New Zealand or, if no such address exists, the address of their usual place of business outside New Zealand;
- (b) a company within the meaning of section 2(1) of the Companies Act 1993, means the address for service adopted by the company under section 192 of that Act;
- (c) any other entity, means the address of its principal office or principal place of business in New Zealand or, if no such address exists, its principal office or principal place of business outside New Zealand.

'Aggregate Equity Exposure' means the aggregate amount of Equity Exposure to all currencies.

'Aggregate Foreign Currency Exposure' means the aggregate amount of Foreign Currency Exposure to all currencies other than New Zealand dollars.

'Aggregate Interest Rate Exposure' means the aggregate amount of Interest Rate Exposure to all currencies.

'Aggregate Market Risk Exposure' means exposure to all, or any, of Aggregate Equity Exposure, Aggregate Foreign Currency Exposure and Aggregate Interest Rate Exposure.

'Asset Acquired Through the Enforcement of Security' has the same meaning as in FRS-33, as amended from time to time.

'Balance Date' means the last day of an Accounting Period or Interim Accounting Period.

'Bank' means a Registered Bank or an Overseas Bank.

'Banking Group' means the Financial Reporting Group but where the Reserve Bank has, by notice in writing to the Registered Bank, after consultation with the Registered Bank, agreed to or required the inclusion or exclusion of any entity or any part of any entity, means the Financial Reporting Group including or excluding that entity or that part of that entity, as the case may be.

'Capital' in relation to:

(a) an Overseas Bank or Overseas Banking Group, means the amount of capital held by the Overseas Bank or Overseas Banking Group, determined in accordance with the requirements of the authority having the power to impose minimum capital requirements on that Overseas Bank or Overseas Banking Group in its country of domicile;

(b) a Banking Group, means the amount of capital held by the Banking Group, determined in accordance with the Conditions of Registration.

'Commodity Instrument' has the same meaning as in FRS-33, as amended from time to time.

'Company' has the same meaning as in section 2 of the Companies Act 1993, and includes an overseas company within the meaning of section 2 of the Companies Act 1993.

'Conditions of Registration' in relation to a Registered Bank means the conditions of registration imposed on that Registered Bank by the Reserve Bank pursuant to section 74 of the Act.

'Connected Person' has the same meaning as in the Conditions of Registration.

'Counterparty' has the same meaning as in FRS-33, as amended from time to time.

'Credit Exposure' means the amount of the maximum loss that a party to a contract could incur as a result of the Counterparty to that contract failing to discharge its obligations, without taking into account the value of collateral, guarantees, indemnities, other support arrangements, and any potential recoveries, where the maximum loss in relation to:

(a) a market related contract means the credit equivalent amount of the contract determined in accordance with the Reserve Bank document entitled "Capital Adequacy Framework" (BS2) as amended from time to time;

(b) any other contract means the full value of the contract;

provided that, for the purposes of this definition, a Financial Liability and a Financial Asset may be offset if to do so would accord with generally accepted accounting practice as defined in the Financial Reporting Act 1993.

'Credit Risk' has the same meaning as in FRS-33, as amended from time to time.

'Currency Risk' has the same meaning as in FRS-33, as amended from time to time.

'Debt Security', in relation to a Registered Bank, means any interest in or right to be paid money that is, or is to be, deposited with, lent to, or otherwise owing by, that Registered Bank (whether or not the interest or right is secured by a charge over any property).

'Director' means a person holding office as a director of the Registered Bank.

'Direct Banking Account' means a bank account held at a branch that is not normally physically accessible by the customers of that branch.

'Disclosure Statement', in relation to a Registered Bank, means a document Published by that Registered Bank

- in terms of the Registered Bank Disclosure Statement (Full and Half-Year—New Zealand Incorporated Registered Banks) Order 1998.
- ‘Equity’ has the same meaning as in the Institute of Chartered Accountants of New Zealand Statement of Concepts for General Purpose Financial Reporting.
- ‘Equity Exposure’ means the amount of the change in the economic value of equity instruments that are Financial Assets and Financial Liabilities of the Banking Group in a single currency, which would occur as a result of a change in the price of equity instruments in that currency.
- ‘Equity Risk’ means the risk arising from changes in the prices of equity instruments.
- ‘Fair Value’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Financial Asset’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Financial Instrument’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Financial Liability’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Financial Reporting Group’ means a Registered Bank (as reporting entity) and all other entities included in the group as that term is defined in section 2(1) of the Financial Reporting Act 1993.
- ‘First Quarter Accounting Period’ means the first three month period of an Accounting Period.
- ‘Foreign Currency Exposure’ means the amount of the change in the economic value of the Financial Assets and Financial Liabilities of the Banking Group in a single foreign currency which would occur as a result of a change in the rate of exchange applicable to that foreign currency.
- ‘General Provision’ has the same meaning as in FRS-33, as amended from time to time.
- ‘General Short Form Disclosure Statement’ means that part of a Short Form Disclosure Statement which contains the information prescribed in Part III and Part IV of this Order.
- ‘Group of Closely Related Counterparties’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Immediate Relative’, in relation to any person, means their spouse or any person who lives with that person as their spouse, whether or not married, and any parent, brother, sister or child, in each case whether or not adoptive, of that person or of their spouse or person who lives with that person as their spouse.
- ‘Impaired Asset’ means a Non-Accrual Asset, a Restructured Asset, or an Asset Acquired Through the Enforcement of Security.
- ‘Interest Rate Exposure’ means the amount of the change in the economic value of the Financial Assets (excluding equity instruments) and Financial Liabilities (excluding equity instruments) of the Banking Group in a single currency which would occur as a result of a change in interest rates in that currency.
- ‘Interest Rate Repricing Date’, as that term applies to a Financial Instrument or to a proportion of a Financial Instrument, means the earlier of the date on which, in accordance with the terms of the Financial Instrument:
- the interest rate reset date next occurs (being the date on which the rate of interest payable in respect of the Financial Instrument can or will alter); or
 - the principal sum is due and payable or, where no principal sum is due and payable, the maturity date occurs.
- ‘Interest Rate Risk’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Interim Accounting Period’ means the first six month period of an Accounting Period.
- ‘Investment Security’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Issuer’ has the same meaning as in the Financial Reporting Act 1993.
- ‘Key Information Summary’ means that part of a Short Form Disclosure Statement which contains the information prescribed in Part II of this Order.
- ‘Market Risk Exposure’ means exposure to any, or all, of Equity Exposure, Foreign Currency Exposure and Interest Rate Exposure.
- ‘Material’ has the meaning given to it by generally accepted accounting practice, or, where generally accepted accounting practice does not apply, means a statement, fact, or item which is of such a nature or amount that its inclusion or omission, or the method of treating its disclosure, would be likely to influence a reasonable user of the Short Form Disclosure Statement.
- ‘Non-Accrual Asset’ means any Credit Exposure for which it is probable that the Registered Bank or a member of the Banking Group will not be able to collect all amounts owing in accordance with the terms of the contract with the Counterparty.
- ‘Non-Bank Connected Person’ has the same meaning as in the Conditions of Registration.
- ‘OECD Government’ means the central government of any of the countries specified in the list of OECD countries contained in Appendix One to the Reserve Bank document entitled ‘‘Capital Adequacy Framework’’ (BS2), as amended from time to time.
- ‘Off Quarter Balance Date’ means the last day of a First Quarter Accounting Period or Third Quarter Accounting Period.
- ‘Other Asset Acquired Through the Enforcement of Security’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Other Security’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Overseas Bank’ means a financial institution incorporated outside New Zealand which has been authorised, registered, or licensed as a bank in its country of domicile by the appropriate banking supervisory authority.
- ‘Overseas Banking Group’ means an Overseas Bank and all other entities included in the group for the purposes of public reporting of group financial statements in the country of domicile of the Overseas Bank.
- ‘Past Due Asset’ means any Credit Exposure which has not been operated by the Counterparty within its key terms for at least 90 days and which is not an Impaired Asset.
- ‘Premises’ means any staffed premises of the Registered Bank or an agency of the Registered Bank to which the Registered Bank’s customers or potential customers have access in order to conduct banking business.
- ‘Publication Date’, in respect of a Short Form Disclosure Statement, means the date the Short Form Disclosure Statement is Published in accordance with clause 3 of this Order.
- ‘Publish’ includes distribute, make available and disseminate.
- ‘Rate Insensitive Retail Assets’ means that amount of the Financial Assets held by the Banking Group which the

Registered Bank reasonably believes is unlikely to be diminished or increased as a result of a Material change in market interest rates if the interest rate applicable to that Financial Asset (which may be zero) does not change or does not change Materially.

'Rate Insensitive Retail Liabilities' means that amount of the Financial Liabilities held by the Banking Group which the Registered Bank reasonably believes is unlikely to be diminished or increased as a result of a Material change in market interest rates if the interest rate applicable to that Financial Liability (which may be zero) does not change or does not change Materially.

'Rate Insensitive Retail Product' means either or both of a Rate Insensitive Retail Asset or a Rate Insensitive Retail Liability.

'Real Estate Asset Acquired Through the Enforcement of Security' has the same meaning as in FRS-33, as amended from time to time.

'Register' means the register of Registered Banks maintained pursuant to section 69 of the Act.

'Registered Bank' means an entity which is entered on the Register.

'Relevant Interest' has the same meaning as in sections 5 and 6 of the Securities Amendment Act 1988.

'Responsible Person' means a person authorised in writing by a Director to sign the Disclosure Statement in accordance with section 82 of the Act.

'Restructured Asset' means any Credit Exposure which is not a Non-Accrual Asset and for which:

- (a) the original terms have been changed to grant the Counterparty a concession that would not otherwise have been available, due to the Counterparty's difficulties in complying with the original terms;
- (b) the revised terms of the facility are not comparable with the terms of new facilities with comparable risks; and
- (c) the yield on the asset following restructuring is equal to, or greater than, the average cost of funds of the Registered Bank or a member of the Banking Group, or that a loss is not otherwise expected to be incurred.

'Short Form Disclosure Statement', in relation to a Registered Bank, means a document Published by that Registered Bank under sections 81 or 83 of the Act which shall comprise a General Short Form Disclosure Statement, Key Information Summary and Supplemental Disclosure Statement.

'Specific Provision' has the same meaning as in FRS-33, as amended from time to time.

'Subsidiary' means a subsidiary within the meaning of sections 5 to 8 of the Companies Act 1993.

'Substantial Security Holder' means a person who has a Relevant Interest in 5 percent or more of the Voting Securities of which the Registered Bank is the issuer.

'Supplemental Disclosure Statement' means that part of a Short Form Disclosure Statement which contains the information prescribed in Part V of this Order.

'Third Quarter Accounting Period' means:

- (a) the first nine month period of an Accounting Period; and
- (b) where an Accounting Period will be 15 months, the first 12 month period of an Accounting Period.

'Tier One Capital' in relation to:

- (a) an Overseas Bank or Overseas Banking Group, means the amount of tier one capital held by the Overseas Bank or Overseas Banking Group

determined in accordance with the requirements of the authority having the power to impose minimum Capital requirements on that Overseas Bank or Overseas Banking Group in its country of domicile;

- (b) a Banking Group, means the amount of tier one capital held by the Banking Group, determined in accordance with the Conditions of Registration.

'Ultimate Holding Company' means the body corporate which is the Registered Bank's holding company (as that term is defined in section 5 of the Companies Act 1993) and which is not itself a Subsidiary of another body corporate and which is not a Bank.

'Ultimate Parent Bank' means any Bank which is the Registered Bank's holding company (as that term is defined in section 5 of the Companies Act 1993) and which is not itself a Subsidiary of another Bank.

'Voting Security' has the same meaning as in section 2 of the Securities Amendment Act 1988.

'Working Day' means a day of the week on which the Registered Bank's head office is open for business.

3. Form, Frequency and Distribution of Short Form Disclosure Statement—(1) Subject to the Act, every Registered Bank shall Publish, after each Off Quarter Balance Date, a Short Form Disclosure Statement which shall:

- (a) contain the information that is prescribed in Part II to Part V of this Order; and
- (b) comply with the Act.

(2) The Short Form Disclosure Statement shall be Published:

- (a) not later than two months after each Off Quarter Balance Date;
- (b) where the Registered Bank has not previously Published a Disclosure Statement in terms of the Registered Bank Disclosure Statement (Full and Half-Year—New Zealand Incorporated Registered Banks) Order 1998, not later than three months after each Off Quarter Balance Date; or
- (c) where a General Short Form Disclosure Statement is subject to review or audit by an external auditor, and provided that the extent of review or audit is not less than that which is required in respect of a Disclosure Statement in terms of the Registered Bank Disclosure Statement (Full and Half-Year—New Zealand Incorporated Registered Banks) Order 1998, not later than three months after each Off Quarter Balance Date.

(3) Short Form Disclosure Statements shall be Published in the following manner:

- (a) every Registered Bank shall prominently display the Registered Bank's most recent Key Information Summary at the Registered Bank's head office, every branch of the Registered Bank, every other Premises of the Registered Bank, and every Premises of an agency of the Registered Bank primarily engaged in the business of the Registered Bank;
- (b) every Registered Bank shall provide to any person a copy of its most recent Key Information Summary immediately upon request and at no charge;
- (c) where a Registered Bank publishes information on an internet web site which includes any information directed primarily at its New Zealand customers or potential customers, the Registered Bank shall make available or display a copy of its most recent Key Information Summary on that internet web site;
- (d) every Registered Bank shall notify each of its customers holding a Direct Banking Account of the availability of its most recent Key Information

Summary, as soon as is practicable after the publication of that Key Information Summary, and shall state that the Key Information Summary is available immediately upon request and at no charge;

- (e) every Registered Bank shall provide a copy of its most recent General Short Form Disclosure Statement at no charge, immediately to any person requesting a copy where the request is made at the Registered Bank's head office and within five Working Days where the request is made at any branch of the Registered Bank, any other Premises of the Registered Bank, or any Premises of an agency of the Registered Bank primarily engaged in the business of the Registered Bank;
- (f) every Registered Bank shall provide a copy of its most recent Supplemental Disclosure Statement, or such part of it as is requested, at no charge, immediately to any person requesting a copy where the request is made at the Registered Bank's head office and within five Working Days where the request is made at any branch of the Registered Bank, any other Premises of the Registered Bank, or any Premises of an agency of the Registered Bank primarily engaged in the business of the Registered Bank, unless the content of a Supplemental Disclosure Statement is included in the General Short Form Disclosure Statement; and
- (g) every Registered Bank shall deliver a copy of its most recent Short Form Disclosure Statement to the Reserve Bank on the Publication Date.

4. General Provisions Relating to Content of Short Form Disclosure Statement—(1) (a) In addition to the information which is required by this Order, a Short Form Disclosure Statement:

- (i) shall contain such other information as in the opinion of the Directors it is necessary or desirable to include so as to ensure that any information contained in the Short Form Disclosure Statement is not false or misleading in any Material particular; and
 - (ii) subject to any express provision to the contrary in this Order, may contain such other information as the Directors consider appropriate.
- (b) A Short Form Disclosure Statement shall not contain any offer (within the meaning of that term as defined in section 2 of the Securities Act 1978) of any Debt Securities, but may contain information required for the purposes of regulation 21(2) and regulation 22(d) of the Securities Regulations 1983.
- (2) Subject to the Act and this clause, nothing in this Order shall limit the provisions of any other enactment.
- (3) Where this Order requires or permits a Short Form Disclosure Statement to incorporate information about any person, business or group in respect of a stated period, that information need not relate to any part of that period for which the person, business, group or any part thereof did not exist. Where the Short Form Disclosure Statement contains information in respect of a period that is less than the stated period, it shall identify the period in respect of which the information is provided.
- (4) The Short Form Disclosure Statement shall not state or imply that a person is, or intends to become, a shareholder of the Registered Bank, or of a member of the Banking Group, without also stating whether that person guarantees any of the obligations of the Registered Bank or any member of the Banking Group.
- (5) Subject to subclause (7) of this clause, where a Registered Bank is unable because of systems limitations or because of circumstances beyond its control to disclose information which the Registered Bank would, pursuant to

this Order, be required to disclose, the Short Form Disclosure Statement shall:

- (a) state that fact, and an explanation of the circumstances; and
 - (b) contain information which is the closest available alternative to that required to be disclosed pursuant to this Order.
- (6) The comparative information required to be disclosed by this Order or by the requirements of the Financial Reporting Act 1993 for the previous corresponding period shall be restated so that it corresponds to the information presented for the current period. Where there has been a Material restatement of prior period amounts, the nature of, and the reason for, the restatement shall be disclosed.
- (7) A Registered Bank need not disclose comparative information where this information is not readily available, provided that comparative information shall be deemed to be readily available 12 months after the date at which such information was first required to be Published.
- (8) A Registered Bank shall disclose the currency used where financial statements, or information drawn from financial statements, are disclosed in a currency other than New Zealand dollars.
- (9) Other than in the case of copies of guarantee contracts, all information disclosed in accordance with this Order shall be disclosed in English.

Part II

Key Information Summary

5. Content of Key Information Summary—(1) Subject to subclause (2) of this clause, the Key Information Summary shall contain, in the same order and under the same headings, the information required to be disclosed pursuant to subclause (6) of this clause, as at the Registered Bank's Off Quarter Balance Date or for the First Quarter Accounting Period or Third Quarter Accounting Period, as the case may be, unless otherwise stated.

(2) If a Key Information Summary would be false or misleading as a result of stating the information required to be disclosed pursuant to subclause (6) of this clause, information and explanations that will make the Key Information Summary not false or misleading shall also be stated under the relevant heading.

(3) The information required to be disclosed pursuant to subclause (6)(d) to (i) of this clause shall:

- (a) relate to the Banking Group;
- (b) include comparative figures for the previous corresponding period.

(4) Where applicable, the information contained in the Key Information Summary shall be taken from the information contained in the General Short Form Disclosure Statement.

(5) The Key Information Summary may contain additional information, to which the information stated pursuant to subclause (6) of this clause may refer by way of note, provided that such information is set out after the information required to be disclosed pursuant to subclause (6) of this clause.

(6) The Key Information Summary shall contain:

- (a) Introductory information—
the following statement:

“The purpose of this Key Information Summary is to provide customers and potential customers with information about the financial condition of their bank.

Neither the New Zealand Government nor the Reserve Bank of New Zealand guarantees or insures bank deposits.

The information contained in the Key Information

Summary is explained in the Reserve Bank publication "Your Bank's Disclosure Statement—What's In It For You?" (or, at the option of the Registered Bank, "... from the Reserve Bank and the (name of bank)").

(b) Corporate information—

- (i) the name of the Registered Bank;
- (ii) if applicable, the name of any person that is the Ultimate Parent Bank of the Registered Bank and its country of domicile;
- (iii) if applicable, the name of any person that is the Ultimate Holding Company of the Registered Bank and its country of domicile;

(c) Credit rating—

- (i) a statement as to whether the Registered Bank has a credit rating applicable to its long term senior unsecured obligations payable in New Zealand, in New Zealand dollars; and
- (ii) if so, with respect to each such rating:
 - (A) the name of the person who gave the credit rating;
 - (B) the current rating and all qualifications to that rating;
 - (C) any changes made to the rating in the two years preceding the Off Quarter Balance Date and the date on which any such change occurred;

(d) Profitability—

- (i) net profit or loss after tax and extraordinary items over the First Quarter Accounting Period or Third Quarter Accounting Period, including a description of the First Quarter Accounting Period or Third Quarter Accounting Period;
- (ii) net profit or loss after tax and extraordinary items over the 12 months ending on the current Off Quarter Balance Date, expressed as a percentage of the average of total assets;

(e) Size—

- (i) total assets;
- (ii) the percentage change in total assets over the 12 months ending on the current Off Quarter Balance Date;

(f) Capital adequacy—

- (i) Tier One Capital expressed as a percentage of risk weighted exposures, and the minimum percentage of this ratio permitted under the Registered Bank's Conditions of Registration;
- (ii) Capital expressed as a percentage of risk weighted exposures, and the minimum percentage of this ratio permitted under the Registered Bank's Conditions of Registration;

(g) Asset quality—

- (i) total Impaired Assets (before provisions and net of interest held in suspense);
- (ii) total Impaired Assets expressed as a percentage of total assets;
- (iii) total Specific Provisions;
- (iv) total Specific Provisions expressed as a percentage of total Impaired Assets;

(h) Peak Credit Exposure concentrations—

For the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period:

- (i) the number of individual non Bank Counterparties or Groups of Closely Related Counterparties of which a Bank is not the parent; and

- (ii) the number of individual Bank Counterparties or Groups of Closely Related Counterparties of which a Bank is the parent;

to which the Banking Group has a peak aggregate Credit Exposure which equals or exceeds 10% of the Banking Group's Equity, in successive ranges of 10% of the Banking Group's Equity.

This information shall be disclosed using the methodology set out in Schedule 4 of this Order. A Registered Bank shall state that this information excludes exposures to Connected Persons and any OECD Government;

(i) Peak Connected Person Credit Exposures—

- (i) the peak aggregate end-of-day Credit Exposure to Connected Persons expressed as an amount and as a percentage of Tier One Capital;
- (ii) the peak aggregate end-of-day Credit Exposure to Non-Bank Connected Persons expressed as an amount and as a percentage of Tier One Capital;
- (iii) expressed as a percentage of Tier One Capital:
 - A. the maximum peak end-of-day aggregate Credit Exposure to Connected Persons; and
 - B. within the percentage required to be expressed by subparagraph (A) of this paragraph, the maximum peak end-of-day aggregate Credit Exposure to Non-Bank Connected Persons; that is permitted under the Registered Bank's Conditions of Registration;

for the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period, using the methodology for disclosing this information set out in Schedule 5 of this Order. A Registered Bank shall state that this Credit Exposure information has been derived net of Specific Provisions and gross of set-offs;

(j) Availability of Disclosure Statements—

A statement:

- (i) that copies of the Registered Bank's most recent General Short Form Disclosure Statement and Supplemental Disclosure Statement will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office;
- (ii) specifying the categories of places where copies of the Registered Bank's most recent General Short Form Disclosure Statement and Supplemental Disclosure Statement will be provided at no charge to any person within 5 Working Days of a request for a copy having been made.

Part III

General Disclosures to be Contained in General Short Form Disclosure Statement

6. General Matters—(1) In respect of the Registered Bank, the General Short Form Disclosure Statement shall state:

- (a) its name and Address for Service;
- (b) the statute or other authority under or pursuant to which it was incorporated or established; and
- (c) the date of its incorporation or establishment.

(2) Where applicable, the General Short Form Disclosure Statement shall state:

- (a) the name and Address for Service of the Ultimate Parent Bank of the Registered Bank;
- (b) the name and Address for Service of the Ultimate Holding Company of the Registered Bank; and
- (c) a summary of any regulations, legislation or other

restrictions of a legally enforceable nature which may materially inhibit the legal ability of the bodies corporate referred to in paragraphs (a) and (b) of this subclause, to provide Material financial support to the Registered Bank.

7. Guarantee Arrangements—(1) The General Short Form Disclosure Statement shall state whether the Material obligations of the Registered Bank are guaranteed.

(2) Where a person guarantees any Material obligations of the Registered Bank, and subclause (3) of this clause does not apply, the General Short Form Disclosure Statement shall state:

- (a) the name and Address for Service of the guarantor;
 - (b) whether the guarantor is a member of the Banking Group;
 - (c) the nature of the obligations which are guaranteed, including a description sufficient to identify them;
 - (d) whether there are any limits on the amount of the obligations guaranteed and, if so, a brief summary of the nature of those limits;
 - (e) whether there are any Material conditions applicable to the guarantee other than non-performance by the principal obligor and, if so, a brief summary of those conditions;
 - (f) whether there are any Material legislative or regulatory restrictions in the guarantor's country of incorporation which would have the effect of subordinating the claims under the guarantee of any of the creditors of the Registered Bank on the assets of the guarantor, to other claims on the guarantor, in a winding up of that guarantor. If so, the General Short Form Disclosure Statement shall also state:
 - (i) the legislation or regulations involved and the nature of the impairment of the rights of the creditors which they create;
 - (ii) the amount of the liabilities which are so affected;
 - (g) (i) the amount of the net tangible assets of the guarantor as shown in the most recent publicly available audited financial statements, together with any qualifications in the auditor's report on those financial statements that reflect on the statement of those assets in the financial statements; or
 - (ii) where the guarantor is a Bank, the most recent publicly disclosed Capital of the guarantor and the guarantor group, expressed as an amount and as a percentage of risk weighted exposures, and the date to which that measure of Capital relates;
 - (h) the information required to be disclosed pursuant to clause 9 of this Order as though the reference to a Registered Bank were a reference to the guarantor, the reference to New Zealand were a reference to the country of incorporation of the guarantor and the reference to New Zealand dollars were a reference to the currency of the country of incorporation of the guarantor; and
 - (i) (i) that a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contract, will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office;
 - (ii) the categories of places where a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contract, will be provided at no charge to any person within 5 Working Days of a request for a copy having been made;
- unless the content of the Supplemental Disclosure

Statement is contained in the General Short Form Disclosure Statement.

(3) Where a person or persons have entered into any Material cross guaranteeing arrangements with the Registered Bank, the General Short Form Disclosure Statement shall:

- (a) describe the guaranteeing group and the nature of the cross-guaranteeing arrangements;
- (b) state the information required to be disclosed pursuant to clauses 7(2)(d) to (f) as if those clauses applied to the guarantees of the obligations of the Registered Bank, as well as to the guarantees the Registered Bank has given in respect of the first mentioned person's or persons' obligations;
- (c) if there is a single contract which sets out the rights and obligations of all the cross guarantors; or if there is a standard contract which is representative of the rights and obligations of each of the cross guarantors, a statement:
 - (i) that a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contract, will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office;
 - (ii) specifying the categories of places where a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contract, will be provided at no charge to any person within 5 Working Days of a request for a copy having been made;

unless the content of the Supplemental Disclosure Statement is contained in the General Short Form Disclosure Statement.

8. Conditions of Registration—The General Short Form Disclosure Statement shall either:

- (a) state that a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the Conditions of Registration applicable as at the date of the Short Form Disclosure Statement, will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office; and
- (b) specify the categories of places where a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the Conditions of Registration applicable as at the date of the Short Form Disclosure Statement, will be provided at no charge to any person within 5 Working Days of a request for a copy having been made; or
- (c) contain a copy of the Conditions of Registration applicable as at the date of the Short Form Disclosure Statement.

9. Credit Ratings—(1) The General Short Form Disclosure Statement shall state whether the Registered Bank has a credit rating applicable to its long term senior unsecured obligations payable in New Zealand, in New Zealand dollars.

(2) For each credit rating required to be disclosed pursuant to subclause (1) of this clause the General Short Form Disclosure Statement shall state:

- (a) the name of the person who gave the credit rating;
- (b) the current rating and all qualifications to that rating;
- (c) any changes made to the rating in the two years preceding the Off Quarter Balance Date and the date on which any such change occurred; and
- (d) descriptions or explanations of all the steps in the applicable rating scales.

Part IV**Financial and Supplementary Disclosures to be Contained in General Short Form Disclosure Statement**

10. Content of Financial and Supplementary Disclosures—The General Short Form Disclosure Statement shall contain short form financial statements and supplementary information for the Banking Group which include, where Material, the information prescribed by the Schedules to this Order.

11. Auditor's Report—Where the General Short Form Disclosure Statement has been subject to audit or review by an external auditor, the General Short Form Disclosure Statement shall state the nature and scope of that audit or review and contain a copy of the auditor's report.

12. The Directors' Statement—The General Short Form Disclosure Statement shall contain:

(1) a statement by the Directors as to whether, each Director believes, after due enquiry, that:

- (a) the Short Form Disclosure Statement contains all the information that is required by this Order;
- (b) the Short Form Disclosure Statement is not false or misleading;

as at the date on which the Short Form Disclosure Statement is signed; and

(2) a statement by the Directors as to whether each Director believes, after due enquiry, that:

- (a) the Registered Bank has complied with the Conditions of Registration;
- (b) Credit Exposures to Connected Persons (if any) were not contrary to the interests of the Banking Group; and
- (c) the Registered Bank had systems in place to monitor and control adequately the Banking Group's Material risks, including Credit Risk, concentration of Credit Risk, Interest Rate Risk, Currency Risk, Equity Risk, liquidity risk and other business risks, and that those systems were being properly applied;

over the First Quarter Accounting Period or Third Quarter Accounting Period.

Part V**Supplemental Disclosure Statement**

13. General Matters—(1) Subject to subclause (2) of this clause, the Supplemental Disclosure Statement shall state only the information specified in clauses 14 and 15 of this Order.

(2) If a Supplemental Disclosure Statement would be false or misleading as a result of stating the information specified in subclause (1) of this clause, information and explanations that will make the Supplemental Disclosure Statement not false or misleading shall also be stated.

14. Guarantors—(1) Where a General Short Form Disclosure Statement states that a person guarantees any Material obligations of the Registered Bank, and subclause (2) of this clause does not apply, the Supplemental Disclosure Statement shall contain a copy of the full guarantee contract and the most recent financial statements and group financial statements of the guarantor, together with a copy of the audit report (if any) relating to those statements, unless this information is already contained within the General Short Form Disclosure Statement.

(2) Where a General Short Form Disclosure Statement states that a person or persons have entered into any Material cross guaranteeing arrangements with the Registered Bank, the Supplemental Disclosure Statement shall contain a copy of the full guarantee contract if:

- (a) there is a single contract which sets out the rights and obligations of all the cross guarantors; or

(b) there is a standard contract which is representative of the rights and obligations of each of the cross guarantors;

unless this information is already contained within the General Short Form Disclosure Statement.

15. Conditions of Registration—The Supplemental Disclosure Statement shall contain a copy of the Conditions of Registration which are applicable as at the date of the Short Form Disclosure Statement, unless this information is already contained within the General Short Form Disclosure Statement.

MARIE SHROFF, Clerk of the Executive Council.

First Schedule**Short Form Financial Statements**

1. The information required to be disclosed pursuant to clause 3 of this Schedule shall include comparative figures for the previous corresponding period.

2. The General Short Form Disclosure Statement shall contain a statement as to whether there have been any changes in accounting policies in the three months prior to the Off Quarter Balance Date, and, if so, a summary of those changes.

3. The General Short Form Disclosure Statement shall contain the following financial information for the Banking Group, in such format as the Registered Bank determines, for the First Quarter Accounting Period or Third Quarter Accounting Period, or as at the Off Quarter Balance Date, as the case may be.

FINANCIAL PERFORMANCE

1. Interest revenue
2. Interest expense
3. Net interest income
4. Net trading gains/losses
5. Other operating revenue
6. Other operating expenses
7. Impaired asset expense
8. Operating profit/(loss) before tax
9. Taxation expense/(credit)
10. Operating profit/(loss) after tax
11. Income from associates accounted for on the basis of the equity method (net of tax)
12. Minority interests
13. Net profit/(loss) after tax
14. Extraordinary items (and nature thereof)
15. Net profit/(loss) after tax and extraordinary items
16. Dividend expense for each category of ordinary capital
17. Other adjustments to current period's net profit/(loss)
18. Retained profit/(loss)

FINANCIAL POSITION**ASSETS**

1. Cash and demand balances with central banks
2. Balances with other financial institutions which may be withdrawn without prior notice
3. Other securities eligible for refinancing by central banks
4. Other securities held for liquidity and other purposes
5. Equity investment securities
6. Other investment securities
7. Bills accepted but not held in a portfolio (if recognised)
8. Loans, advances and lease finance
- (NOTE: Each of the above categories of assets shall be shown NET of Specific Provisions)
9. Deferred tax asset
10. Intangible assets
11. Fixed assets
12. Other assets
13. Total assets

LIABILITIES AND SHAREHOLDERS' FUNDS

14. Issued and paid-up share capital
15. Balances of reserve accounts
 - (a) Revaluation reserves
 - (b) Other capital reserves

(c) Other revenue reserves
Sub-total
16. Balance of retained earnings
17. Minority interest
18. Total shareholders' funds
19. Term and/or perpetual subordinated debt
20. Deposits and other borrowings
21. Deferred tax liability
22. Other liabilities
23. Total liabilities and shareholders' funds
24. General provision
25. Total interest earning and discount bearing assets
26. Total interest and discount bearing liabilities
27. Where assets presented in the statement of financial position have been used to secure any obligations, the nature and amount of those assets
28. The nature and amount of any assets not legally owned but presented in the statement of financial position

Second Schedule

Capital Adequacy of the Banking Group

- The information required to be disclosed pursuant to clause 4 of this Schedule shall include comparative figures for the previous corresponding period.
- The General Short Form Disclosure Statement shall contain the information specified below, in such format as the Registered Bank determines, derived in accordance

RISK WEIGHTED EXPOSURES

(1) Calculation of Balance Sheet Exposures

Principal Amount	Risk Weight	Risk Weighted Exposure
Cash and short term claims on Government	0%	
Long term claims on Government	10%	
Claims on banks	20%	
Claims on public sector entities	20%	
Residential mortgages	50%	
Other	100%	
Total assets		

(2) Calculation of Off-Balance Sheet Exposures

Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Average Counterparty Risk Weight	Risk Weighted Exposure
Direct credit substitutes	100%			
Asset sales with recourse	100%			
Commitments with certain drawdown	100%			
Underwriting and sub-underwriting facilities	50%			
Transaction related contingent items	50%			
Short term, self liquidating trade related contingencies	20%			
Other commitments to provide financial services which have an original maturity of 1 year or more	50%			
Other commitments with an original maturity of less than 1 year or which can be unconditionally cancelled at any time	0%			
Market related contracts ¹	NA			
(a) Foreign exchange contracts				
(b) Interest rate contracts				
(c) Other				
Total off-balance sheet exposures				
Risk Weighted Exposures				

¹ Specify whether the current exposure or original exposure method was used to calculate the credit equivalent amount on these contracts.

4. The General Short Form Disclosure Statement shall contain the information specified below, derived in accordance with the Conditions of Registration relating to capital adequacy and the Reserve Bank document entitled "Capital Adequacy Framework" (BS2) as amended from time to time, in respect of the capital adequacy ratios of the Banking Group as at the Off Quarter Balance Date:

- Tier One Capital expressed as a percentage of risk weighted exposures; and
- Capital expressed as a percentage of risk weighted exposures.

Third Schedule

Asset Quality

1. The information required to be disclosed pursuant to clause 2(a) of this Schedule shall include comparative figures for the previous corresponding period.

with the Conditions of Registration relating to capital adequacy and the Reserve Bank document entitled "Capital Adequacy Framework" (BS2) as amended from time to time, in respect of the Banking Group as at the Off Quarter Balance Date.

CAPITAL

Tier One Capital (before deductions)
Less: deductions from Tier One capital
Total Tier One Capital
Upper Tier Two Capital
Lower Tier Two Capital
Total Tier Two Capital
Total of Tier One and Tier Two Capital
Less: deductions from total capital
Capital

3. The General Short Form Disclosure Statement shall contain the information specified below, in such format as the Registered Bank determines, derived in accordance with the Conditions of Registration relating to capital adequacy and the Reserve Bank document entitled "Capital Adequacy Framework" (BS2) as amended from time to time, in respect of the Banking Group as at the Off Quarter Balance Date.

2. The General Short Form Disclosure Statement shall contain, in respect of the Banking Group as at the Off Quarter Balance Date, the following information:

(a) in respect of the following Classes of assets:

- Non-Accrual Assets;
 - Restructured Assets;
 - Real Estate Assets Acquired Through the Enforcement of Security;
 - Other Assets Acquired Through the Enforcement of Security; and
 - Past Due Assets;
- the following information:
- the aggregate amount which has been recognised; and
 - the aggregate amount which has not been recognised;

before deducting provisions for expected loss or provisions for diminution in asset value, and

(viii) the aggregate amount of Specific Provisions or provisions for diminution in asset value;

(ix) the aggregate amount of General Provisions (if any);

(b) information on movements in the balances of total Specific Provisions or provisions for diminution in asset value over the First Quarter Accounting Period or Third Quarter Accounting Period, for each of the Classes of assets set out in subparagraphs (i) to (v) of clause 2 (a) of this Schedule, separately disclosing, where Material:

(i) opening balance;

(ii) charge (credit) to the statement of financial performance for increase/decrease in Specific Provisions or provisions for diminution in asset value;

(iii) amounts written-off;

(iv) write-downs of Assets Acquired Through the Enforcement of Security;

(v) recoveries of provisions and write-offs charged in previous periods;

(vi) other movements, and the nature thereof;

(vii) closing balance;

with movements reconciled to the charges allocated to the statement of financial performance; and

(c) information on movements in the balance of the General Provision over the First Quarter Accounting Period or Third Quarter Accounting Period, separately disclosing, where Material:

(i) opening balance;

(ii) charge (credit) to the statement of financial performance for increase/decrease in the General Provision;

(iii) other movements, and the nature thereof;

(iv) closing balance;

with movements reconciled to the charges allocated to the statement of financial performance.

Fourth Schedule

Concentration of Credit Exposures to Individual Counterparties

1. For the purposes of this Schedule, Credit Exposure information shall be disclosed either on the basis of:

(a) actual Credit Exposures; or

(b) internal limits, provided that those limits were not Materially exceeded during the First Quarter Accounting Period or the Third Quarter Accounting Period.

The General Short Form Disclosure Statement shall state the method used.

2. For the purposes of this Schedule:

(a) the information disclosed shall include comparative figures for the previous corresponding period;

(b) Credit Exposure information shall be calculated net of Specific Provisions, and shall exclude Credit Exposures to Connected Persons and any OECD Government.

3. The General Short Form Disclosure Statement shall disclose:

(a) the number of individual Bank Counterparties (not being members of a Group of Closely Related Counterparties) and Groups of Closely Related Counterparties of which a Bank is the parent; and

(b) the number of individual non Bank Counterparties (not being members of a Group of Closely Related Counterparties) and Groups of Closely Related Counterparties of which a Bank is not the parent;

to whom the Banking Group has an aggregate Credit Exposure which equals or exceeds 10% of the Banking Group's Equity:

(i) as at the Balance Date; and

(ii) in respect of peak end-of-day aggregate Credit Exposures for the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period;

in successive ranges of 10% of Equity, commencing at 10% of Equity.

4. For the purposes of this Schedule, peak end-of-day aggregate Credit Exposure to each individual Counterparty or a Group of Closely Related Counterparties for the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period shall be derived by determining the maximum end-of-day aggregate amount of Credit Exposure over the quarter, and then dividing that amount by:

(a) the Banking Group's Equity as at the end of the quarter; or

(b) the Banking Group's Equity at the date the maximum end-of-day aggregate amount of Credit Exposure occurred.

A Registered Bank shall state in the General Disclosure Statement which of the methods it has used to derive peak ratio information.

Fifth Schedule

Credit Exposures to Connected Persons

1. For the purposes of this Schedule, Credit Exposure information shall be disclosed either on the basis of:

(a) actual Credit Exposures; or

(b) internal limits, provided that those limits were not Materially exceeded during the First Quarter Accounting Period or the Third Quarter Accounting Period.

The General Short Form Disclosure Statement shall state the method used.

2. Information disclosed in accordance with this Schedule:

(a) shall be derived in accordance with the Conditions of Registration relating to Connected Persons; and

(b) shall include comparative figures for the previous corresponding period.

3. The General Short Form Disclosure Statement shall disclose the aggregate Credit Exposure of the Banking Group to:

(a) Connected Persons; and

(b) non-Bank Connected Persons;

expressed both as an amount and as a percentage of Tier One Capital:

(i) as at the Off Quarter Balance Date; and

(ii) in respect of peak Credit Exposures for the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period.

The General Short Form Disclosure Statement shall contain a statement that the information on Credit Exposure to Connected Persons has been derived net of Specific Provisions, and gross of set-offs.

4. For the purposes of this Schedule, peak end-of-day aggregate Credit Exposure to Connected Persons for the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period shall be derived by

determining the maximum end-of-day aggregate amount of Credit Exposure over the quarter, and then dividing that amount by:

- (a) the Banking Group's Tier One Capital as at the end of the quarter; or
- (b) the Banking Group's Tier One Capital at the date the maximum end-of-day aggregate amount of Credit Exposure occurred.

A Registered Bank shall state in the General Disclosure Statement which of these methods it has used to derive peak ratio information.

5. The General Short Form Disclosure Statement shall contain a statement of the aggregate amount of contingent exposures of the Banking Group to Connected Persons, arising from risk lay-off arrangements in respect of Credit Exposures to Counterparties (other than Counterparties which are Connected Persons), as at the Off Quarter Balance Date.

6. The General Short Form Disclosure Statement shall contain a statement of the aggregate amount of the Banking Group's Specific Provisions provided against Credit Exposures to Connected Persons as at the Off Quarter Balance Date.

Sixth Schedule

Securitisation, Funds Management, and Other Fiduciary Activities

1. The General Short Form Disclosure Statement shall contain the information required to be disclosed pursuant to clauses 3 to 7 of this Schedule in respect of the Banking Group.

2. The information required to be disclosed pursuant to clauses 4 and 6 of this Schedule shall include comparative figures for the previous corresponding period.

3. A statement of the nature of the Banking Group's involvement in the following activities:

- (a) trust, custodial, funds management, and other fiduciary activities established, marketed, and/or sponsored by a member of the Banking Group; and
- (b) the origination of securitised assets, and in the marketing or servicing of securitisation schemes.

4. The peak end-of-day aggregate amount of funding (including funding provided by the purchase of securities issued by entities which conduct the activities specified in clause 3 of this Schedule) the Banking Group has provided over the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period to the entities which conduct the activities specified in clause 3 of this Schedule, expressed as an amount and as a percentage of Tier One Capital.

5. For the purposes of clause 4 of this Schedule, the peak end-of-day aggregate amount of funding over the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period shall be derived by determining the maximum end-of-day aggregate amount of funding over the quarter, and then dividing that amount by:

- (a) the Banking Group's Tier One Capital as at the end of the quarter; or
- (b) the Banking Group's Tier One Capital as at the date the maximum end-of-day aggregate amount of funding occurred.

A Registered Bank shall state in the General Short Form Disclosure Statement which of these methods it has used to derive peak ratio information.

6. The peak end-of-day aggregate amount of funding (including funding provided by the purchase of securities issued by entities which conduct the activities specified in clause 3 of this Schedule) provided by the Banking Group

over the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period to any individual entity which conducts the activities specified in clause 3 of this Schedule, expressed as an amount and as a percentage of the amount of securities issued by that particular entity.

7. For the purposes of clause 6 of this Schedule, the peak end-of-day aggregate amount of funding provided to any individual entity over the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period shall be derived by determining the maximum end-of-day aggregate amount of funding provided over the quarter, and then dividing that amount by:

- (a) the amount of the entity's assets as at the end of the quarter; or
- (b) the amount of the entity's assets as at the date the maximum end-of-day aggregate amount of funding occurred.

A Registered Bank shall state in the General Short Form Disclosure Statement which of these methods it has used to derive peak ratio information.

Seventh Schedule

Risk Management Policies

1. Where there has been a Material change in the three months prior to the Off Quarter Balance Date in the Banking Group's policies for managing any of the following risks:

- (a) Credit Risk, including concentrations of Credit Risk, intra-day Credit Risk, Credit Risk to Bank Counterparties and related party Credit Risk;
- (b) Currency Risk;
- (c) Interest Rate Risk;
- (d) Equity Risk;
- (e) liquidity risk;
- (f) any other Material business risk to which the Banking Group is exposed;

the General Short Form Disclosure Statement shall contain a statement of the nature of those changes.

2. If, in the three months prior to the Off Quarter Balance Date, the Banking Group has become exposed to a new category of risk specified in clause 1 of this Schedule to which the Banking Group was not previously exposed, the General Short Form Disclosure Statement shall contain a general description of:

- (a) the nature of that risk and the activities of the Banking Group which give rise to that risk;
- (b) the methods used to identify and monitor exposure to that risk, including the frequency with which exposures are monitored;
- (c) the systems and procedures for controlling that risk, including, where applicable, whether exposure limits are employed, any policies with respect to collateral or other security, and any policies on the use of Financial Instruments to mitigate or hedge risks.

Eighth Schedule

Exposures to Market Risk

1 (1) A Registered Bank shall disclose the amount of Aggregate Market Risk Exposures of the Banking Group in respect of each category of Aggregate Market Risk Exposure on the basis of:

- (a) Aggregate Market Risk Exposures derived in accordance with Schedule 9 of this Order; or
- (b) the Banking Group's internal operating limits applicable to the relevant category of Aggregate Market Risk Exposure, but only if the Aggregate Market Risk Exposure in that category has not

Materially exceeded those limits at any time during the First Quarter Accounting Period or the Third Quarter Accounting Period.

(2) The General Short Form Disclosure Statement shall state which of the above methods is used, and where the method used is that set out in clause 1(1)(a) of this Schedule, shall also state which of the methods described in clauses 1, 8 and 11 of the Ninth Schedule (for deriving Aggregate Interest Rate Exposure, Aggregate Foreign Currency Exposure and Aggregate Equity Exposure respectively) is used.

(3) Where, in respect of a category of Aggregate Market Risk Exposure, a Registered Bank uses different methods to derive Aggregate Market Risk Exposure in that category as at the Off Quarter Balance Date, and in respect of peak end-of-day exposure since the commencement of the Accounting Period, the Registered Bank shall identify, in relation to each of the disclosures made pursuant to this Schedule, the method used.

2. The information required to be disclosed pursuant to clause 3 of this Schedule shall include comparative figures for the previous corresponding period.

3. The General Short Form Disclosure Statement shall disclose, in respect of the Banking Group:

- (a) Aggregate Interest Rate Exposure;
 - (b) Aggregate Foreign Currency Exposure; and
 - (c) Aggregate Equity Exposure;
- expressed both as an amount and as a percentage of Equity:

- (i) as at the Off Quarter Balance Date; and
- (ii) in respect of peak exposures for the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period.

4. For the purposes of this Schedule, peak end-of-day exposure to each category of Aggregate Market Risk Exposure for the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period shall be derived by determining the maximum end-of-day Aggregate Market risk Exposure over the quarter, and then dividing that amount by:

- (a) the Banking Group's Equity as at the end of the quarter; or
- (b) the Banking Group's Equity at the date the maximum end-of-day Aggregate Market Risk Exposure occurred.

A Registered Bank shall state in the General Short Form Disclosure Statement which of these methods it has used to derive peak ratio information.

Ninth Schedule

Measurement of Market Risk Exposure

Aggregate Interest Rate Exposure

1. The Registered Bank shall derive the amount of Aggregate Interest Rate Exposure of the Banking Group in accordance with either:

- (a) clauses 2 to 7 of this Schedule; or
- (b) any other method, but only if the Aggregate Interest Rate Exposure derived in accordance with that method is not, in the opinion of the Registered Bank (such opinion to be based on reasonable grounds), Materially lower than the amount derived pursuant to clause 1(a) of this Schedule.

2. **Interest Rate Exposure in a Single Currency**—Interest Rate Exposure in a single currency is the total of:

- (a) the directional interest rate risk;
- (b) the vertical disallowance; and

- (c) the horizontal disallowance; in that currency.

3. Exposure to Directional Interest Rate Risk in a Single Currency—(1) The amount of directional interest rate risk in a single currency shall be derived by subtracting the aggregate amount of the change in the value of each Financial Liability (excluding equity instruments) of the Banking Group arising from a directional change in interest rates in that currency from the aggregate amount of the change in the value of each Financial Asset (excluding equity instruments) of the Banking Group, arising from a directional change in interest rates in that currency.

(2) The value of a Financial Instrument is:

- (a) in the case of an unrecognised Financial Instrument and a recognised Financial Instrument which is a market related contract, the face or contract amount of the Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate; and
- (b) in the case of other Financial Instruments, the carrying amount of the Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate.

(3) The change in the value of a Financial Instrument is derived by multiplying the value, or proportion of the value, of the Financial Instrument allocated to the applicable time band specified in Table 1, in accordance with clause 3(4), by the risk weight specified for that time band in Table 1.

Table 1: Time Bands, Risk Weights, and Assumed Interest Rate Changes

	Time Bands							
	up to 1 mth	1-6 mths	6-12 mths	1-2 yrs	2-4 yrs	4-6 yrs	6-10 yrs	Over 10 yrs
Assumed Interest Rate Change(%)	1.0	1.0	1.0	0.9	0.8	0.7	0.6	0.6
Risk weights (%)	0	0.3	0.7	1.3	2.0	3.0	3.5	4.4

(4) Subject to clauses 3(5) and 3(6) of this Schedule, the value of each Financial Instrument, or a proportion of it, shall be allocated to the time band specified in Table 1 in a manner which the Registered Bank believes, on reasonable grounds, reflects the date on which the interest rate applicable to the Financial Instrument, or proportion of the Financial Instrument, will be altered, or the date at which the principal, or a proportion of the principal, will be paid, notwithstanding the Interest Rate Repricing Date of the Financial Instrument.

(5) Notwithstanding clause 3(4) of this Schedule:

- (a) a Registered Bank may exclude from the application of clause 3(4) of this Schedule the value, or the appropriate proportion of the value, of those Financial Instruments which meet the netting criteria contained in clause 4; and

- (b) the aggregate value, or the appropriate proportion of the aggregate value, of all Rate Insensitive Retail Assets and of all Rate Insensitive Retail Liabilities shall be allocated to the time bands specified in Table 2 in accordance with the percentages set out in Table 2.

Table 2: Allocation of the value of Rate Insensitive Retail Products across time bands

	Time Bands					
	up to 1 mth	1-6 mths	6-12 mths	1-2 yrs	2-4 yrs	4-6 yrs
Percentage of aggregate value	5%	5%	10%	20%	40%	20%

(6) A Registered Bank may exclude the value of options and, instead, use its own methodology to determine the Interest Rate Exposure in any currency arising from options and add the amount so derived to the total Interest Rate Exposure in that currency.

4. **Netting Criteria**—A Registered Bank may exclude the value of Financial Instruments in respect of which it has matched positions which meet any one of the following criteria:

(a) the matched position comprises the same Financial Instruments with the same issuer, coupon, currency and maturity; or

(b) (i) with respect to matched positions comprising futures, the underlying Financial Instruments to which the futures relate must:

- (A) be for the same product;
- (B) have the same value or notional value;
- (C) be denominated in the same currency; and
- (D) mature within seven days of each other; or

(ii) with respect to matched positions comprising swaps (including separate legs of different swaps) or FRAs, the underlying Financial Instruments to which the swaps or FRAs relate must:

- (A) be for the same product;
- (B) have the same value or notional value;
- (C) be denominated in the same currency;
- (D) have reference rates (for floating rate positions) which are identical;
- (E) have coupon rates which are identical or which do not differ by more than 15 basis points; and
- (F) have the time to run before the next Interest Rate Repricing Date within the following limits:

Earliest Repricing Date	Limits
Less than one month hence:	same day
Between one month and one year hence:	within seven days
More than one year hence:	within thirty days;
or	

(iii) with respect to matched positions comprising forwards, the underlying Financial Instruments to which the forwards relate must:

- (A) be for the same product;
- (B) have the same value or notional value;
- (C) be denominated in the same currency; and
- (D) have the time to run before the next Interest Rate Repricing Date within the following limits:

Earliest Repricing Date	Limits
Less than one month hence:	same day
Between one month and one year hence:	within seven days
More than one year hence:	within thirty days.

5. The Amount of Vertical Disallowance in a Single Currency—(1) The amount of vertical disallowance in a single currency is the sum of the vertical disallowances calculated in accordance with clause 5(2) for each of the time bands specified in Table 1 of this Schedule.

(2) The amount of vertical disallowance in a time band shall be calculated as follows:

- (a) derive the risk weighted matched position in the time band (which is either the lesser of the sum of the absolute values of the Financial Assets and the sum of the absolute values of the Financial Liabilities in that time band, or, if those sums are equal, that sum, multiplied by the risk weight for that time band);
- (b) derive the risk weighted value of the Rate Insensitive Retail Products in that time band (which is the sum of the absolute values of the Rate Insensitive Retail Assets and Rate Insensitive Retail Liabilities in that time band multiplied by the risk weight for that time band);

(c) if the risk weighted matched position is less than or equal to the risk weighted value of the Rate Insensitive Retail Products in a time band, then the vertical disallowance amount for that time band is the risk weighted matched position multiplied by 20%;

(d) if the risk weighted matched position is greater than the risk weighted value of the Rate Insensitive Retail Products in a time band, then the vertical disallowance amount for that time band is:

- (i) the risk weighted value of the Rate Insensitive Retail Products multiplied by 20%; plus
- (ii) the difference between the risk weighted matched position and the risk weighted value of the Rate Insensitive Retail Products, multiplied by 5%.

(3) The vertical disallowance in a currency shall have the same sign (positive or negative) as the directional risk calculated for that currency.

6. The Amount of Horizontal Disallowance in a Single Currency—(1) The amount of horizontal disallowance in a single currency shall be calculated in accordance with clauses 6(2) to 6(6).

(2) Allocate the time bands specified in Table 1 of this Schedule to the three time zones specified in Table 3:

Time Bands	Time Zones
up to 1 month	
1-6 months	Zone 1
6-12 months	
1-2 years	
2-4 years	Zone 2
4-6 years	
6-10 years	Zone 3
over 10 years	

(3) Calculate the amount of the intra-zone disallowance in each time zone as follows:

- (a) derive the risk weighted net position in each time band (which is the amount of the risk weighted Financial Assets less the amount of the risk weighted Financial Liabilities in that time band). If the risk weighted net position in a time band is positive, this is a risk weighted long position and if it is negative, this is a risk weighted short position;
- (b) derive the aggregate risk weighted long position in each time zone (which is the sum of any risk weighted long positions in the time bands in that time zone) and the aggregate risk weighted short position in each time zone (which is the sum of any risk weighted short positions in the time bands in that time zone);
- (c) derive the matched position in each time zone (which is either the lesser of the absolute value of the aggregate risk weighted long position and the absolute value of the aggregate risk weighted short position in that time zone, or, if the absolute values of those positions are equal, that absolute value), if any;
- (d) the amount of intra-zone disallowance in a time zone is the value of the matched position in that time zone multiplied by the disallowance factor for that time zone specified in Table 4. If there is no matched position in a time zone, the amount of the intra-zone disallowance in that time zone is zero.

Time Zones	Disallowance Factors
Zone 1	40%
Zone 2	30%
Zone 3	30%

(4) Calculate the amount of the inter-zone disallowances as follows:

- (a) inter-zone disallowances are derived in the following order: time zones 1 and 2, 2 and 3, and 1 and 3. The inter-zone disallowance factors which must be used to derive the inter-zone disallowance amounts are specified in Table 5;

Table 5: Inter-zone disallowances

Time Zones	Disallowance Factors
Zones 1 and 2	40%
Zones 2 and 3	40%
Zones 1 and 3	100%

- (b) derive the residual position in each time zone (which is the net amount of the aggregate risk weighted long position and the aggregate risk weighted short position). If the residual position is positive this is a residual long position and if it is negative this is a residual short position;
- (c) there is a matched position between time zones 1 and 2 if there is a residual long position in one time zone and a residual short position in the other. The matched position is either the smaller of the absolute value of the residual long position and the absolute value of the residual short position, or, if the absolute values of those positions are equal, that absolute value. If there is no matched position, the amount of horizontal disallowance is zero. If there is a matched position, then the amount of horizontal disallowance between time zones 1 and 2 is the value of the matched position multiplied by the disallowance factor for time zones 1 and 2 specified in Table 5;
- (d) derive the net residual position in time zone 2, by taking the difference between the absolute value of the residual position in time zone 2 and the matched position between time zones 1 and 2, and allocating to that amount, if any, the sign of the residual position in time zone 2. If the net residual position in time zone 2 is positive this is a net residual long position and if it is negative this is a net residual short position;
- (e) there is a matched position between time zones 2 and 3 if there is a net residual long position in time zone 2 and a residual short position in time zone 3 or a net residual short position in time zone 2 and a residual long position in time zone 3. The matched position is either the smaller of the absolute value of those residual positions, or, if the absolute values of those positions are equal, that absolute value. If there is no matched position, the amount of the horizontal disallowance is zero. If there is a matched position then the amount of horizontal disallowance between time zones 2 and 3 is the value of the matched position multiplied by the disallowance factor for time zones 2 and 3 specified in Table 5;
- (f) derive the net residual position in time zone 1 and in time zone 3:
- (i) in time zone 1, by taking the difference between the absolute value of the residual position in time zone 1 and the matched position between time zones 1 and 2, and allocating to that amount, if any, the sign of the residual position in time zone 1;
- (ii) in time zone 3, by taking the difference between the absolute value of the residual position in time zone 3 and the matched position between time zones 2 and 3, and allocating to that amount, if any, the sign of the residual position in time zone 3,
- (if the net residual position in a time zone is positive this is a net residual long position and if it is negative this is a net residual short position);
- (g) there is a matched position between time zones 1 and 3 if there is a net residual long position in one time zone and a net residual short position in the other. The matched position is either the smaller of the absolute value of the net residual long position and the absolute value of the net residual short position, or, if the absolute values of those positions are equal, that absolute value. If there is no matched position, the amount of horizontal disallowance is zero. If there is a matched position then the amount of horizontal

disallowance between time zones 1 and 3 is the value of the matched position multiplied by the disallowance factor for time zones 1 and 3 specified in Table 5.

(5) The amount of the horizontal disallowance in a single currency is the aggregate of the amounts of intra-zone disallowances and inter-zone disallowances in that currency.

(6) The horizontal disallowance in a currency shall have the same sign (positive or negative) as the directional risk calculated for that currency.

7. Aggregate Interest Rate Exposure For All Currencies—A Banking Group's Aggregate Interest Rate Exposure is the greater of the absolute value of the sum of any positive Interest Rate Exposures and the absolute value of the sum of any negative Interest Rate Exposures.

Aggregate Foreign Currency Exposure

8. The Registered Bank shall derive the amount of Aggregate Foreign Currency Exposure in accordance with either:

- (a) clauses 9 and 10 of this Schedule; or
- (b) any other method, but only if the Aggregate Foreign Currency Exposure derived in accordance with that method is not, in the opinion of the Registered Bank (such opinion to be based on reasonable grounds), Materially lower than the amount derived pursuant to clause 8(a) of this Schedule.

9. Foreign Currency Exposure in a Single Foreign Currency—(1) Subject to clauses 9(2) and 9(4) of this Schedule, a Banking Group's Foreign Currency Exposure in a single foreign currency is derived by:

- (a) subtracting the aggregate amount of the value of Financial Liabilities (whether recognised or unrecognised) of the Banking Group in that foreign currency from the aggregate amount of the value of the Financial Assets (whether recognised or unrecognised) of the Banking Group in that foreign currency; and
- (b) multiplying the amount derived in clause 9(a) of this Schedule by 0.08.

(2) Subject to clause 9(3), the value of a Financial Instrument is either:

- (a) (i) in the case of an unrecognised Financial Instrument and a recognised Financial Instrument which is a market related contract, the face or contract amount of the Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate; and
- (ii) in the case of other Financial Instruments, the carrying amount of the Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate; or

(b) the present value of that Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate.

(3) Notwithstanding clause 9(2) of this Schedule, the value of options in a single foreign currency shall be either the delta equivalent value, or a value derived using the Registered Bank's own method for valuing the open position arising from options in that foreign currency.

(4) For the purposes of clause 9(1) of this Schedule, Financial Instruments which have been issued by associates of the Registered Bank or which have been included in the Capital of the Banking Group shall not be included in the calculation of the Banking Group's Foreign Currency Exposure.

10. Aggregate Foreign Currency Exposure—A Banking Group's Aggregate Foreign Currency Exposure is the absolute value of the greater of the sum of any positive

Foreign Currency Exposures and the sum of any negative Foreign Currency Exposures.

Aggregate Equity Exposure

11. The Registered Bank shall derive the amount of its Aggregate Equity Exposure in accordance with either:

- (a) clauses 12 and 13 of this Schedule; or
- (b) any other method, but only if the Aggregate Equity Exposure derived in accordance with that method is not, in the opinion of the Registered Bank (such opinion to be based on reasonable grounds), Materially lower than the amount derived pursuant to clause 11(a) of this Schedule.

12. Equity Exposure in a single currency—(1) Subject to clauses 12(2) and 12(3) of this Schedule a Banking Group's Equity Exposure in a single currency is derived by:

- (a) subtracting the aggregate amount of the value of all of the equity instruments (whether recognised or unrecognised) of the Banking Group in that currency that are Financial Liabilities from the aggregate amount of the value of all the equity instruments (whether recognised or unrecognised) of the Banking Group in that currency that are Financial Assets; and
- (b) multiplying the amount derived in clause 12(a) of this Schedule by 0.08.

(2) Notwithstanding clause 12(1) of this Schedule, the value of equity instruments issued by associates of the Registered Bank shall not be included in the calculation of the Banking Group's Equity Exposure.

(3) Subject to clause 12(4) of this Schedule, the value of an equity instrument is:

- (a) in the case of an unrecognised equity instrument and a recognised equity instrument which is a market related contract, the face or contract amount of the equity instrument expressed in New Zealand dollars using the relevant spot exchange rate; and
- (b) in the case of other equity instruments, the carrying amount of the equity instrument expressed in New Zealand dollars using the relevant spot exchange rate.

(4) Notwithstanding clause 12(3) of this Schedule, the value of:

- (a) a net equity futures position is the marked-to-market value of the notional underlying equity position; and
- (b) a net equity option position is the delta equivalent value.

13. Aggregate Equity Exposure—The Banking Group's Aggregate Equity Exposure is the sum of the absolute values of the Equity Exposures in each currency.

Explanatory Note

This note is not part of the Order in Council, but is intended to indicate its general effect.

This Order in Council is promulgated pursuant to section 81(1) of the Reserve Bank of New Zealand Act 1989, and applies to a registered bank which is incorporated in New Zealand, in respect of each such bank's "off quarters" (ie the first and third quarters of the bank's financial year).

This Order in Council is one of four which replace four original Orders promulgated in 1995, and amended in 1996. The 1995 Orders provided for a public disclosure regime for registered banks, replacing prospectus requirements imposed under the Securities Act 1978 on registered banks in respect of their offers of debt securities to the public.

More specifically, this Order in Council replaces the Registered Bank Disclosure Statement (Off Quarter—New Zealand Incorporated Registered Banks) Order 1995 and the Registered Bank Disclosure Statement (Off Quarter—New Zealand Incorporated Registered Banks)

Amendment Order 1996, and comes into force on 1 October 1998.

This Order integrates the disclosure requirements of the 1995 Order and its 1996 amendment, and aligns and cross-references them to the reporting requirements of the accounting standard FRS-33: *Disclosure of Information by Financial Institutions* (FRS-33 was approved by the Accounting Standards Review Board in April 1997, and came into effect for accounting periods beginning on 1 April 1997). It also revises the disclosure requirements of the previous Orders in the light of the experience gained with the disclosure regime for registered banks since its commencement in 1996.

A description of the principal provisions of the revised disclosure regime is given below.

Under the disclosure regime, all registered banks are required to issue a public disclosure statement each quarter. The disclosure statement required to be published pursuant to this Order in Council comprises a Key Information Summary, a General Short Form Disclosure Statement and, if applicable, a Supplemental Disclosure Statement.

The Key Information Summary provides a brief summary of key financial information on the registered bank and its banking group, and must be made available free of charge immediately upon request. The Key Information Summary must also be displayed prominently in each bank branch and in any other customer-accessible bank premises, and made available or displayed on a bank's internet website.

The General Short Form Disclosure Statement is required to contain a range of financial and corporate information on the bank and its banking group. The General Short Form Disclosure Statement need not be displayed in each bank branch, but must be made available free of charge, immediately if the request is made at a bank's head office, or within five working days if the request is made at a bank branch or at any customer-accessible bank premises other than the head office. The information required to be included in a General Short Form Disclosure Statement includes:

- a a statement as to whether the bank has a credit rating, and if so, a disclosure of that rating;
- b short form financial statements for the banking group, including details on asset quality;
- c information on capital adequacy (using the Reserve Bank of New Zealand's capital adequacy framework);
- d information, both as at the end of the off quarter and in respect of peak for the most recent quarter of the accounting period, on the banking group's exposure concentrations to individual counterparties and groups of closely related counterparties and to connected persons;
- e market risk information, both as at the end of the off quarter and in respect of peak for the most recent quarter of the accounting period, on the banking group's interest rate exposure, foreign currency exposure and equity exposure. A bank is required to disclose its exposure to each of these categories of market risk, both as an amount and as a percentage of the banking group's equity;
- f descriptions of the banking group's policies and systems for managing risks in respect of a new category of risk not previously incurred by the banking group;
- g statements signed by the directors of the bank, including an attestation as to whether the directors are satisfied that the banking group's internal controls are adequate for managing the group's material business risks and whether the controls have been properly applied over the reporting period, and a statement that the disclosure statement is not false or misleading.

A bank is required to calculate market risk exposures using either the method specified in the Order, or a different method provided that such method does not give a result which would be materially lower than that arrived at by the method specified in the Order.

The General Short Form Disclosure Statement required by this Order in Council is an abbreviated version of the General Disclosure Statement required by the Registered Bank Disclosure Statement (Full and Half-Year—New Zealand Incorporated Registered Banks) Order 1998.

Each bank must also publish a Supplemental Disclosure Statement, unless the information it would include is contained in the General Short Form Disclosure Statement. The Supplemental Disclosure Statement must be made available free of charge, immediately if the request is made at a bank's head office, or within five working days if the request is made at a bank branch or at any customer-accessible bank premises other than the head office. This Order in Council requires the following information to be contained in a Supplemental Disclosure Statement:

- a the conditions of registration imposed by the Reserve Bank on the registered bank pursuant to section 74 of the Reserve Bank of New Zealand Act;
- b the contract of guarantee and financial statements of any guarantor, where the material obligations of the registered bank are guaranteed;
- c where the registered bank has entered into any material cross guaranteeing arrangements, a copy of the full guarantee contract if there is a contract which sets out, or is representative of, the rights and obligations of all the cross guarantors.

A bank has two months from its off-quarter balance date to publish the disclosure statements required by this Order in Council. The exceptions to this are:

- a where a bank elects to have its General Short Form Disclosure Statement audited by an external auditor; or
- b where a bank has not previously published a disclosure statement under the new disclosure arrangements;

in which case the bank has three months to publish its disclosure statement.

The disclosure statements published pursuant to this Order in Council are not required to be audited nor to be subject to a limited review by an external auditor.

The disclosure statements required by this Order in Council must be signed by all the directors of the bank. A director may authorise in writing another person to sign on his or her behalf.

The Reserve Bank of New Zealand Act provides for criminal and civil penalties where a bank's disclosure statement is found to be false or misleading.

This Order in Council is administered in the Reserve Bank of New Zealand.

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Registered Bank Disclosure Statement (Full and Half-Year—Overseas Incorporated Registered Banks) Order 1998

MICHAEL HARDIE BOYS, Governor-General
ORDER IN COUNCIL

At Wellington this 24th day of August 1998

Present:

HIS EXCELLENCY THE GOVERNOR-GENERAL IN COUNCIL

Pursuant to section 81(1) of the Reserve Bank of New Zealand Act 1989, His Excellency the Governor-General, acting by and with the advice and consent of the Executive Council, and on the advice of the Treasurer given in

accordance with a recommendation of the Reserve Bank of New Zealand, hereby makes the following Order.

A n a l y s i s

1. Title, Application and Commencement

Part I—Preliminary

2. Interpretation
3. Form, Frequency and Distribution of Disclosure Statement
4. General Provisions Relating to Content of Disclosure Statement

Part II—Key Information Summary

5. Content of Key Information Summary

Part III—General Disclosures to be Contained in General Disclosure Statement

6. General Matters
7. Guarantee Arrangements
8. Registered Bank: Directorate and Auditors
9. Conditions of Registration
10. Pending Proceedings or Arbitration
11. Credit Ratings

Part IV—Financial and Supplementary Disclosures to be Contained in General Disclosure Statement

12. Content of Financial and Supplementary Disclosures
13. Historical Summary of Financial Statements
14. Members of Banking Group
15. Auditor's Report
16. Other Material Matters
17. The Directors' Statement
18. Financial Statements of the Overseas Bank and Overseas Banking Group

Part V—Supplemental Disclosure Statement

19. General Matters
20. Guarantors
21. Conditions of Registration
22. Financial Statements of the Overseas Bank and Overseas Banking Group

Schedules

1. Supplementary Financial Disclosures, and Asset Quality
2. The Size and Nature of Business of the Registered Bank and Banking Group
3. Capital Adequacy of the Overseas Bank and Overseas Banking Group
4. Concentration of Credit Exposures to Individual Counterparties
5. Securitisation, Funds Management and Other Fiduciary Activities
6. Risk Management Policies
7. Exposures to Market Risk
8. Measurement of Market Risk Exposure

O r d e r

1. **Title, Application and Commencement**—(1) This Order may be cited as the Registered Bank Disclosure Statement (Full and Half-Year—Overseas Incorporated Registered Banks) Order 1998.

(2) This Order applies to every Registered Bank incorporated overseas.

(3) This Order shall come into force on the 1st day of October 1998 and replaces the Registered Bank Disclosure Statement (Full and Half-Year—Overseas Incorporated Registered Banks) Order 1995 which is hereby consequentially revoked.

(4) The first Disclosure Statement required by this Order in respect of a Registered Bank shall be in respect of the first Balance Date which occurs after 1 October 1998, or in respect of a Registered Bank which becomes a Registered Bank after 1 October 1998, shall be in respect of such date (whether before or after the date of registration) as the Reserve Bank shall determine.

(5) Where the Reserve Bank, pursuant to clause 1(4) of this Order, determines the date in respect of which a Disclosure Statement shall be published, a reference in this Order to a Balance Date shall be read as if it were a reference to that date.

Part I

Preliminary

2. Interpretation—(1) Any term or expression used in this Order that is not defined in this Order:

(a) which is defined in the Act shall, unless the context otherwise requires, have the meaning given to it by the Act;

(b) which is not defined in the Act and which is defined in the Conditions of Registration shall, unless the context otherwise requires, have the meaning given to it by the Conditions of Registration; and

(c) which is not defined in the Act or in the Conditions of Registration shall, unless the context otherwise requires, be interpreted in compliance with generally accepted accounting practice (as that term is defined in section 3 of the Financial Reporting Act 1993).

(2) References in this Order to the singular include the plural and vice versa.

(3) In this Order a reference to an 'FRS' is a reference to a Financial Reporting Standard approved or given authoritative support from time to time by the Accounting Standards Review Board pursuant to sections 24 and 27 of the Financial Reporting Act 1993.

(4) In this Order, unless the context otherwise requires:

'Accounting Period' has the meaning set out in the Companies Act 1993.

'Act' means the Reserve Bank of New Zealand Act 1989.

'Address for Service' in relation to:

(a) an individual, means the address of their usual place of business in New Zealand or, if no such address exists, the address of their usual place of business outside New Zealand;

(b) a company within the meaning of section 2(1) of the Companies Act 1993, means the address for service adopted by the company under section 192 of that Act;

(c) any other entity, means the address of its principal office or principal place of business in New Zealand or, if no such address exists, its principal office or principal place of business outside New Zealand.

'Aggregate Equity Exposure' means the aggregate amount of Equity Exposure to all currencies.

'Aggregate Foreign Currency Exposure' means the aggregate amount of Foreign Currency Exposure to all currencies other than New Zealand dollars.

'Aggregate Interest Rate Exposure' means the aggregate amount of Interest Rate Exposure to all currencies.

'Aggregate Market Risk Exposure' means exposure to all, or any, of Aggregate Equity Exposure, Aggregate Foreign Currency Exposure and Aggregate Interest Rate Exposure.

'Asset Acquired Through the Enforcement of Security' has the same meaning as in FRS-33, as amended from time to time.

'Balance Date' means the last day of an Accounting Period or Interim Accounting Period.

'Bank' means a Registered Bank or an Overseas Bank.

'Banking Group' means the Financial Reporting Group but where the Reserve Bank has, by notice in writing to the Registered Bank, after consultation with the Registered Bank, agreed to or required the inclusion or exclusion of any entity or any part of any entity, means the Financial Reporting Group including or excluding that entity or that part of that entity, as the case may be.

'Capital' in relation to an Overseas Bank or Overseas Banking Group, means the amount of capital held by the Overseas Bank or Overseas Banking Group, determined in accordance with the requirements of the authority having the power to impose minimum capital requirements on that Overseas Bank or Overseas Banking Group in its country of domicile.

'Commodity Instrument' has the same meaning as in FRS-33, as amended from time to time.

'Company' has the same meaning as in section 2 of the Companies Act 1993, and includes an overseas company within the meaning of section 2 of the Companies Act 1993.

'Conditions of Registration' in relation to a Registered Bank means the conditions of registration imposed on that Registered Bank by the Reserve Bank pursuant to section 74 of the Act.

'Connected Person' has the same meaning as in the Conditions of Registration.

'Counterparty' has the same meaning as in FRS-33, as amended from time to time.

'Credit Exposure' means the amount of the maximum loss that a party to a contract could incur as a result of the Counterparty to that contract failing to discharge its obligations, without taking into account the value of collateral, guarantees, indemnities, other support arrangements, and any potential recoveries, where the maximum loss in relation to:

(a) a market related contract means the credit equivalent amount of the contract determined in accordance with the Reserve Bank document entitled "Capital Adequacy Framework" (BS2) as amended from time to time;

(b) any other contract means the full value of the contract;

provided that, for the purposes of this definition, a Financial Liability and a Financial Asset may be offset if to do so would accord with generally accepted accounting practice as defined in the Financial Reporting Act 1993.

'Credit Risk' has the same meaning as in FRS-33, as amended from time to time.

'Currency Risk' has the same meaning as in FRS-33, as amended from time to time.

'Debt Security', in relation to a Registered Bank, means any interest in or right to be paid money that is, or is to be, deposited with, lent to, or otherwise owing by, that Registered Bank (whether or not the interest or right is secured by a charge over any property).

'Director' means a person occupying the position of director of the Overseas Bank by whatever name called who whether by himself or herself, or in conjunction with other directors acting as a board of directors, has the powers necessary for managing, and for directing and supervising the management of, the business and affairs of the Overseas Bank.

'Direct Banking Account' means a bank account held at

- a branch that is not normally physically accessible by the customers of that branch.
- ‘Disclosure Statement’, in relation to a Registered Bank, means a document Published by that Registered Bank under sections 81 or 83 of the Act which shall comprise a General Disclosure Statement, Key Information Summary and Supplemental Disclosure Statement.
- ‘Equity’ has the same meaning as in the Institute of Chartered Accountants of New Zealand Statement of Concepts for General Purpose Financial Reporting.
- ‘Equity Exposure’ means the amount of the change in the economic value of equity instruments that are Financial Assets and Financial Liabilities of the Banking Group in a single currency, which would occur as a result of a change in the price of equity instruments in that currency.
- ‘Equity Risk’ means the risk arising from changes in the prices of equity instruments.
- ‘Fair Value’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Financial Asset’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Financial Instrument’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Financial Liability’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Financial Reporting Group’ means the New Zealand Business of all the members of the group (as that term is defined in section 2(1) of the Financial Reporting Act 1993) that comprises a reporting entity that is the Overseas Bank and its subsidiaries, as if the members of the group were companies formed and registered in New Zealand.
- ‘First Quarter Accounting Period’ means the first three month period of an Accounting Period.
- ‘Foreign Currency Exposure’ means the amount of the change in the economic value of the Financial Assets and Financial Liabilities of the Banking Group in a single foreign currency which would occur as a result of a change in the rate of exchange applicable to that foreign currency.
- ‘General Disclosure Statement’ means that part of a Disclosure Statement which contains the information prescribed in Part III and Part IV of this Order.
- ‘General Provision’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Group of Closely Related Counterparties’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Immediate Relative’, in relation to any person, means their spouse or any person who lives with that person as their spouse, whether or not married, and any parent, brother, sister or child, in each case whether or not adoptive, of that person or of their spouse or person who lives with that person as their spouse.
- ‘Impaired Asset’ means a Non-Accrual Asset, a Restructured Asset, or an Asset Acquired Through the Enforcement of Security.
- ‘Interest Rate Exposure’ means the amount of the change in the economic value of the Financial Assets (excluding equity instruments) and Financial Liabilities (excluding equity instruments) of the Banking Group in a single currency which would occur as a result of a change in interest rates in that currency.
- ‘Interest Rate Repricing Date’, as that term applies to a Financial Instrument or to a proportion of a Financial Instrument, means the earlier of the date on which, in accordance with the terms of the Financial Instrument:
- (a) the interest rate reset date next occurs (being the date on which the rate of interest payable in respect of the Financial Instrument can or will alter); or
 - (b) the principal sum is due and payable or, where no principal sum is due and payable, the maturity date occurs.
- ‘Interest Rate Risk’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Interim Accounting Period’ means the first six month period of an Accounting Period.
- ‘Investment Security’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Issuer’ has the same meaning as in the Financial Reporting Act 1993.
- ‘Key Information Summary’ means that part of a Disclosure Statement which contains the information prescribed in Part II of this Order.
- ‘Market Risk Exposure’ means exposure to any, or all, of Equity Exposure, Foreign Currency Exposure and Interest Rate Exposure.
- ‘Material’ has the meaning given to it by generally accepted accounting practice, or, where generally accepted accounting practice does not apply, means a statement, fact, or item which is of such a nature or amount that its inclusion or omission, or the method of treating its disclosure, would be likely to influence a reasonable user of the Disclosure Statement.
- ‘New Zealand Business’ means all business, operations, or undertakings conducted in or from New Zealand.
- ‘Non-Accrual Asset’ means any Credit Exposure for which it is probable that the Registered Bank or a member of the Banking Group will not be able to collect all amounts owing in accordance with the terms of the contract with the Counterparty.
- ‘Non-Bank Connected Person’ has the same meaning as in the Conditions of Registration.
- ‘OECD Government’ means the central government of any of the countries specified in the list of OECD countries contained in Appendix One to the Reserve Bank document entitled ‘‘Capital Adequacy Framework’’ (BS2), as amended from time to time.
- ‘Off Quarter Balance Date’ means the last day of a First Quarter Accounting Period or Third Quarter Accounting Period.
- ‘Other Asset Acquired Through the Enforcement of Security’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Other Security’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Overseas Bank’ means a financial institution incorporated outside New Zealand which has been authorised, registered, or licensed as a bank in its country of domicile by the appropriate banking supervisory authority and, unless the context otherwise requires, is the bank of which the Registered Bank is the New Zealand branch.
- ‘Overseas Banking Group’ means an Overseas Bank and all other entities included in the group for the purposes of public reporting of group financial statements in the country of domicile of the Overseas Bank.
- ‘Past Due Asset’ means any Credit Exposure which has not been operated by the Counterparty within its key terms for at least 90 days and which is not an Impaired Asset.
- ‘Premises’ means any staffed premises of the Registered

Bank or an agency of the Registered Bank to which the Registered Bank's customers or potential customers have access in order to conduct banking business.

'Publication Date', in respect of a Disclosure Statement, means the date the Disclosure Statement is Published in accordance with clause 3 of this Order.

'Publish' includes distribute, make available and disseminate.

'Rate Insensitive Retail Assets' means that amount of the Financial Assets held by the Banking Group which the Registered Bank reasonably believes is unlikely to be diminished or increased as a result of a Material change in market interest rates if the interest rate applicable to that Financial Asset (which may be zero) does not change or does not change Materially.

'Rate Insensitive Retail Liabilities' means that amount of the Financial Liabilities held by the Banking Group which the Registered Bank reasonably believes is unlikely to be diminished or increased as a result of a Material change in market interest rates if the interest rate applicable to that Financial Liability (which may be zero) does not change or does not change Materially.

'Rate Insensitive Retail Product' means either or both of a Rate Insensitive Retail Asset or a Rate Insensitive Retail Liability.

'Real Estate Asset Acquired Through the Enforcement of Security' has the same meaning as in FRS-33, as amended from time to time.

'Register' means the register of Registered Banks maintained pursuant to section 69 of the Act.

'Registered Bank' means the New Zealand Business of the entity which is entered on the Register, as if that entity's business was conducted by a company formed and registered in New Zealand.

'Relevant Interest' has the same meaning as in sections 5 and 6 of the Securities Amendment Act 1988.

'Responsible Person' means a person authorised in writing by a Director to sign the Disclosure Statement in accordance with section 82 of the Act.

'Restructured Asset' means any Credit Exposure which is not a Non-Accrual Asset and for which:

- (a) the original terms have been changed to grant the Counterparty a concession that would not otherwise have been available, due to the Counterparty's difficulties in complying with the original terms;
- (b) the revised terms of the facility are not comparable with the terms of new facilities with comparable risks; and
- (c) the yield on the asset following restructuring is equal to, or greater than, the average cost of funds of the Registered Bank or a member of the Banking Group, or that a loss is not otherwise expected to be incurred.

'Specific Provision' has the same meaning as in FRS-33, as amended from time to time.

'Subsidiary' means a subsidiary within the meaning of sections 5 to 8 of the Companies Act 1993.

'Substantial Security Holder' means a person who has a Relevant Interest in 5 percent or more of the Voting Securities of which the Registered Bank is the issuer.

'Supplemental Disclosure Statement' means that part of a Disclosure Statement which contains the information prescribed in Part V of this Order.

'Third Quarter Accounting Period' means:

(a) the first nine month period of an Accounting Period; and

(b) where an Accounting Period will be 15 months, the first 12 month period of an Accounting Period.

'Tier One Capital' in relation to an Overseas Bank or Overseas Banking Group, means the amount of tier one capital held by the Overseas Bank or Overseas Banking Group determined in accordance with the requirements of the authority having the power to impose minimum Capital requirements on that Overseas Bank or Overseas Banking Group in its country of domicile.

'Ultimate Holding Company' means the body corporate which is the Registered Bank's holding company (as that term is defined in section 5 of the Companies Act 1993) and which is not itself a Subsidiary of another body corporate and which is not a Bank.

'Ultimate Parent Bank' means any Bank which is the Registered Bank's holding company (as that term is defined in section 5 of the Companies Act 1993) and which is not itself a Subsidiary of another Bank.

'Voting Security' has the same meaning as in section 2 of the Securities Amendment Act 1988.

'Working Day' means a day of the week on which the Registered Bank's head office is open for business.

3. Form, Frequency and Distribution of Disclosure Statement— (1) Subject to the Act, every Registered Bank shall Publish not later than three months after each Balance Date (or in the case of the first Disclosure Statement required by this Order for a Registered Bank which becomes a Registered Bank after 1 October 1998, within such period as the Reserve Bank shall specify) a Disclosure Statement which shall:

(a) contain the information that is prescribed in Part II to Part V of this Order; and

(b) comply with the Act.

(2) Disclosure Statements shall be Published in the following manner:

(a) every Registered Bank shall prominently display the Registered Bank's most recent Key Information Summary at the Registered Bank's head office, every branch of the Registered Bank, every other Premises of the Registered Bank, and every Premises of an agency of the Registered Bank primarily engaged in the business of the Registered Bank;

(b) every Registered Bank shall provide to any person a copy of its most recent Key Information Summary immediately upon request and at no charge;

(c) where a Registered Bank publishes information on an internet web site which includes any information directed primarily at its New Zealand customers or potential customers, the Registered Bank shall make available or display a copy of its most recent Key Information Summary on that internet web site;

(d) every Registered Bank shall notify each of its customers holding a Direct Banking Account of the availability of its most recent Key Information Summary, as soon as is practicable after the publication of that Key Information Summary, and shall state that the Key Information Summary is available immediately upon request and at no charge;

(e) every Registered Bank shall provide a copy of its most recent General Disclosure Statement at no charge, immediately to any person requesting a copy where the request is made at the Registered Bank's head office and within five Working Days where the request is made at any branch of the Registered Bank, any other Premises of the Registered Bank, or any Premises of an agency of the Registered Bank

primarily engaged in the business of the Registered Bank;

(f) every Registered Bank shall provide a copy of its most recent Supplemental Disclosure Statement, or such part of it as is requested, at no charge, immediately to any person requesting a copy where the request is made at the Registered Bank's head office and within five Working Days where the request is made at any branch of the Registered Bank, any other Premises of the Registered Bank, or any Premises of an agency of the Registered Bank primarily engaged in the business of the Registered Bank, unless the content of a Supplemental Disclosure Statement is included in the General Disclosure Statement; and

(g) every Registered Bank shall deliver a copy of its most recent Disclosure Statement to the Reserve Bank on the Publication Date.

4. General Provisions Relating to Content of Disclosure Statement—(1) (a) In addition to the information which is required by this Order, a Disclosure Statement:

(i) shall contain such other information as in the opinion of the Directors it is necessary or desirable to include so as to ensure that any information contained in the Disclosure Statement is not false or misleading in any Material particular; and

(ii) subject to any express provision to the contrary in this Order, may contain such other information as the Directors consider appropriate.

(b) A Disclosure Statement shall not contain any offer (within the meaning of that term as defined in section 2 of the Securities Act 1978) of any Debt Securities, but may contain information required for the purposes of regulation 21(2) and regulation 22(d) of the Securities Regulations 1983.

(2) Subject to the Act and this clause, nothing in this Order shall limit the provisions of any other enactment.

(3) Where this Order requires or permits a Disclosure Statement to incorporate information about any person, business, or group in respect of a stated period, that information need not relate to any part of that period for which the person, business, group or any part thereof did not exist. Where the Disclosure Statement contains information in respect of a period that is less than the stated period, it shall identify the period in respect of which the information is provided.

(4) The Disclosure Statement shall not state or imply that a person is, or intends to become, a shareholder of the Overseas Bank, or of a member of the Overseas Banking Group, without also stating whether that person guarantees any of the obligations of the Registered Bank or any member of the Banking Group.

(5) Subject to subclause (7) of this clause, where a Registered Bank is unable because of systems limitations or because of circumstances beyond its control to disclose information which the Registered Bank would, pursuant to this Order, be required to disclose, the Disclosure Statement shall:

(a) state that fact, and an explanation of the circumstances; and

(b) contain information which is the closest available alternative to that required to be disclosed pursuant to this Order.

(6) The comparative information required to be disclosed by this Order for the previous corresponding period shall be restated so that it corresponds to the information presented for the current period. Where there has been a Material restatement of prior period amounts, the nature of, and the reason for, the restatement shall be disclosed.

(7) A Registered Bank need not disclose comparative information where this information is not readily available, provided that comparative information shall be deemed to be readily available 12 months after the date at which such information was first required to be Published.

(8) A Registered Bank shall disclose the currency used where financial statements, or information drawn from financial statements, are disclosed in a currency other than New Zealand dollars.

(9) Other than in the case of copies of guarantee contracts, all information disclosed in accordance with this Order shall be disclosed in English.

Part II

Key Information Summary

5. Content of Key Information Summary—(1) Subject to subclause (2) of this clause, the Key Information Summary shall contain, in the same order and under the same headings, the information required to be disclosed pursuant to subclause (6) of this clause, as at the Registered Bank's Balance Date or for the Accounting Period or Interim Accounting Period, as the case may be, unless otherwise stated.

(2) If a Key Information Summary would be false or misleading as a result of stating the information required to be disclosed pursuant to subclause (6) of this clause, information and explanations that will make the Key Information Summary not false or misleading shall also be stated under the relevant heading.

(3) Where applicable, the information contained in the Key Information Summary shall be taken from the information contained in the General Disclosure Statement.

(4) The Key Information Summary may contain additional information, to which the information stated pursuant to subclause (6) of this clause may refer by way of note, provided that such information is set out after the information required to be disclosed pursuant to subclause (6) of this clause.

(5) The information required to be disclosed pursuant to subclause (6)(d) to (h) of this clause shall include comparative figures for the previous corresponding period.

(6) The Key Information Summary shall contain:

(a) Introductory information—
the following statement:

“The purpose of this Key Information Summary is to provide customers and potential customers with information about the financial condition of their bank.

Neither the New Zealand Government nor the Reserve Bank of New Zealand guarantees or insures bank deposits.

The information contained in the Key Information Summary is explained in the Reserve Bank publication “Your Bank's Disclosure Statement—What's In It For You?”, which can be obtained from the Reserve Bank.” (or, at the option of the Registered Bank, “. . . from the Reserve Bank and the (name of bank)’”).

(b) Corporate information—

(i) the name of the Overseas Bank and its country of domicile;

(ii) if applicable, the name of any person that is the Ultimate Parent Bank of the Overseas Bank and its country of domicile;

(iii) if applicable, the name of any person that is the Ultimate Holding Company of the Overseas Bank and its country of domicile;

(c) Credit rating—

- (i) a statement as to whether the Overseas Bank has a credit rating applicable to its long term senior unsecured obligations payable in New Zealand, in New Zealand dollars; and
- (ii) if so, with respect to each such rating:
- (A) the name of the person who gave the credit rating;
- (B) the current rating and all qualifications to that rating;
- (C) any changes made to the rating in the two years preceding the Balance Date and the date on which any such change occurred;
- (d) Profitability—
- (i) net profit or loss after tax and extraordinary items in respect of:
- (A) the Overseas Banking Group for the most recent period for which the information is publicly available; and
- (B) the Banking Group over the Interim Accounting Period or Accounting Period, and a description of the period to which this information applies;
- (ii) net profit or loss after tax and extraordinary items over the previous 12 month period, expressed as a percentage of the average of total assets, in respect of:
- (A) the Overseas Banking Group and the balance date of the most recent period for which the information is publicly available; and
- (B) the Banking Group and the Balance Date of the Interim Accounting Period or Accounting Period;
- (e) Size—
- (i) total assets of the Overseas Banking Group as at the most recent date for which the information is publicly available and the percentage change in total assets over the 12 months ending on that date;
- (ii) total assets of the Banking Group and the percentage change in total assets over the 12 months ending on the current Balance Date;
- (f) Capital adequacy—
- the most recent publicly available information on the capital adequacy of the Overseas Bank and Overseas Banking Group, disclosing:
- (i) Tier One Capital expressed as a percentage of risk weighted exposures and the minimum percentage of this ratio required by the appropriate banking supervisory authority in the Overseas Bank's country of domicile;
- (ii) Capital expressed as a percentage of risk weighted exposures and the minimum percentage of this ratio required by the appropriate banking supervisory authority in the Overseas Bank's country of domicile;
- (g) Asset quality—
- (i) total Impaired Assets (before provisions and net of interest held in suspense);
- (ii) total Impaired Assets expressed as a percentage of total assets;
- (iii) total Specific Provisions;
- (iv) total Specific Provisions expressed as a percentage of total Impaired Assets;
- in respect of:
- (v) the Overseas Banking Group as at the most recent date for which the information is publicly available; and
- (vi) the Banking Group;
- (h) Peak Credit Exposure concentrations—
- For the most recent quarter of the Accounting Period or Interim Accounting Period:
- (i) the number of individual non Bank Counterparties or Groups of Closely Related Counterparties of which a Bank is not the parent; and
- (ii) the number of individual Bank Counterparties or Groups of Closely Related Counterparties of which a Bank is the parent;
- to which the Banking Group has a peak aggregate Credit Exposure which equals or exceeds 10% of the Overseas Banking Group's Equity, in successive ranges of 10% of the Overseas Banking Group's Equity.
- This information shall be disclosed using the methodology set out in Schedule 4 of this Order. A Registered Bank shall state that this information excludes exposures to any OECD Government.
- (i) Ranking of local creditors in a winding-up—
- whether there are any Material legislative or regulatory restrictions in the Overseas Bank's country of incorporation which subordinate the claims of any class of unsecured creditors of the Registered Bank on the assets of the Overseas Bank to those of any other class of unsecured creditors of the Overseas Bank, in a winding up of that Overseas Bank. If so, the Key Information Summary shall also state:
- (i) the legislation or regulations involved and a summary of the nature of the impairment of the rights of creditors of the Registered Bank which they create; and
- (ii) the nature and amount of each Class of the Registered Bank's liabilities which are so affected;
- (ia) Where the Registered Bank is required by any statute to hold in New Zealand an excess of assets over deposit liabilities, the Key Information Summary shall state the name of the statute and contain a description of the requirement and a statement as to whether, since the commencement of the Accounting Period, the Registered Bank has at all times complied with that requirement.
- (j) Financial statements of the Overseas Bank and Overseas Banking Group—
- a statement of the most recent publicly available financial statements of the Overseas Bank and Overseas Banking Group are contained in the Registered Bank's Supplemental Disclosure Statement or General Disclosure Statement (state which), copies of which (or of that part of which, as applicable) will be provided at no charge to any person requesting a copy in the manner described in paragraph (k) of this subclause; and
- (k) Availability of Disclosure Statements—
- A statement:
- (i) that copies of the Registered Bank's most recent General Disclosure Statement and Supplemental Disclosure Statement will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office;
- (ii) specifying the categories of places where copies of the Registered Bank's most recent General Disclosure Statement and Supplemental Disclosure Statement will be provided at no charge to any person within 5 Working Days of a request for a copy having been made.

Auditor's Report—

(7) The Key Information Summary shall contain an auditor's report, set out after the information disclosed in accordance with subclause 5(6) and any information disclosed in accordance with subclause 5(4), which shall state:

- (a) that the Key Information Summary has been examined by the auditor;
- (b) whether the Key Information Summary has been completed in accordance with this Order and whether the information contained in it has been properly taken, where applicable, from the information contained in the General Disclosure Statement; and
- (c) the nature of the audit examination conducted in respect of information drawn from the General Disclosure Statement, and whether a qualified or unqualified opinion has been given in respect of that information.

Part III

General Disclosures to be Contained in General Disclosure Statement

6. General Matters—(1) In respect of the Registered Bank, the General Disclosure Statement shall state its name and Address for Service.

(2) In respect of the Overseas Bank, the General Disclosure Statement shall state:

- (a) its name and the address of its principal office, or place of business, outside New Zealand;
- (b) the statute or other authority under or pursuant to which it was incorporated or established; and
- (c) the date of its incorporation or establishment.

(3) Where applicable, the General Disclosure Statement shall state:

- (a) the name and Address for Service of the Ultimate Parent Bank of the Overseas Bank;
- (b) the name and Address for Service of the Ultimate Holding Company of the Overseas Bank; and
- (c) a summary of any regulations, legislation or other restrictions of a legally enforceable nature which may materially inhibit the legal ability of the bodies corporate referred to in paragraphs (a) and (b) of this subclause, to provide Material financial support to the Registered Bank.

(4) The General Disclosure Statement shall state whether there are any Material legislative or regulatory restrictions in the Overseas Bank's country of incorporation which subordinate the claims of any class of unsecured creditors of the Registered Bank on the assets of the Overseas Bank to those of any other class of unsecured creditors of the Overseas Bank, in a winding up of that Overseas Bank. If so, the General Disclosure Statement shall also state:

- (a) the legislation or regulations involved and the nature of the impairment of the rights of creditors of the Registered Bank which they create; and
- (b) the nature and amount of each Class of the Registered Bank's liabilities which are so affected.

(5) Where the Registered Bank is required by any statute to hold in New Zealand an excess of assets over deposit liabilities, the General Disclosure Statement shall state the name of the statute and contain a description of the requirement and a statement as to whether, since the commencement of the Accounting Period, the Registered Bank has at all times complied with that requirement.

7. Guarantee Arrangements—(1) The General Disclosure Statement shall state whether the Material obligations of the Overseas Bank are guaranteed.

(2) Where a person guarantees any Material obligations of

the Overseas Bank, and subclause (3) of this clause does not apply, the General Disclosure Statement shall state:

- (a) the name and Address for Service of the guarantor;
- (b) whether the guarantor is a member of the Banking Group or Overseas Banking Group;
- (c) the nature of the obligations which are guaranteed, including a description sufficient to identify them;
- (d) whether there are any limits on the amount of the obligations guaranteed and, if so, a brief summary of the nature of those limits;
- (e) whether there are any Material conditions applicable to the guarantee other than non-performance by the principal obligor and, if so, a brief summary of those conditions;
- (f) whether there are any Material legislative or regulatory restrictions in the guarantor's country of incorporation which would have the effect of subordinating the claims under the guarantee of any of the creditors of the Overseas Bank on the assets of the guarantor, to other claims on the guarantor, in a winding up of that guarantor. If so, the General Disclosure Statement shall also state:

(i) the legislation or regulations involved and the nature of the impairment of the rights of the creditors which they create;

(ii) the amount of the liabilities which are so affected;

(g) (i) the amount of the net tangible assets of the guarantor as shown in the most recent publicly available audited financial statements, together with any qualifications in the auditor's report on those financial statements that reflect on the statement of those assets in the financial statements; or

(ii) where the guarantor is a Bank, the most recent publicly disclosed Capital of the guarantor and the guarantor group, expressed as an amount and as a percentage of risk weighted exposures, and the date to which that measure of Capital relates;

(h) the information required to be disclosed pursuant to clause 11 of this Order as though the reference to an Overseas Bank were a reference to the guarantor, the reference to New Zealand were a reference to the country of incorporation of the guarantor and the reference to New Zealand dollars were a reference to the currency of the country of incorporation of the guarantor; and

(i) (i) that a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contract, will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office;

(ii) specifying the categories of places where a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contract, will be provided at no charge to any person within 5 Working Days of a request for a copy having been made;

unless the content of the Supplemental Disclosure Statement is contained in the General Disclosure Statement.

(3) Where a person or persons have entered into any Material cross guaranteeing arrangements with the Overseas Bank, the General Disclosure Statement shall:

(a) describe the guaranteeing group and the nature of the cross-guaranteeing arrangements;

(b) state the information required to be disclosed pursuant to clauses 7 (2) (d) to (f) as if those clauses applied to the guarantees of the obligations of the

Overseas Bank, as well as to the guarantees the Overseas Bank has given in respect of the first mentioned person's or persons' obligations;

(c) if there is a single contract which sets out the rights and obligations of all the cross guarantors; or if there is a standard contract which is representative of the rights and obligations of each of the cross guarantors, a statement:

(i) that a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contract, will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office;

(ii) specifying the categories of places where a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contract, will be provided at no charge to any person within 5 Working Days of a request for a copy having been made;

unless the content of the Supplemental Disclosure Statement is contained in the General Disclosure Statement.

8. Registered Bank: Directorate and Auditors—The General Disclosure Statement shall state:

(a) an address to which communications addressed to the Directors and Responsible Persons (if any), or any of them, may be sent;

(b) the name, occupation, technical or professional qualifications, and country of residence of each Director and Responsible Person;

(c) the name and Address for Service of any auditor whose report is referred to in the Disclosure Statement;

(d) in relation to every Director:

(i) the nature and amount of any transaction which any Director or any Immediate Relative or close business associate of any Director has with the Registered Bank or any member of the Banking Group which either has been entered into on terms other than those which would, in the ordinary course of business of the Registered Bank or any member of the Banking Group, be given to any other person of like circumstances or means, or which could otherwise be reasonably likely to influence materially the exercise of the Director's duties; and

(ii) whether any Director is an executive Director; and

(e) the policy of the board of Directors for avoiding or dealing with conflicts of interest which may arise from the personal, professional or business interests of the Directors or any of them.

9. Conditions of Registration—The General Disclosure Statement shall either:

(a) state that a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the Conditions of Registration applicable as at the date of the Disclosure Statement, will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office; and

(b) specify the categories of places where a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the Conditions of Registration applicable as at the date of the Disclosure Statement, will be provided at no charge to any person within 5 Working Days of a request for a copy having been made; or

(c) contain a copy of the Conditions of Registration applicable as at the date of the Disclosure Statement.

10. Pending Proceedings or Arbitration—The General Disclosure Statement shall contain a description of any pending proceedings or arbitration concerning any member of the Banking Group or, where publicly available, the Overseas Banking Group, whether in New Zealand or elsewhere, that may have a Material adverse effect on the Registered Bank or on the Banking Group.

11. Credit Ratings—(1) The General Disclosure Statement shall state whether the Overseas Bank has a credit rating applicable to its long term senior unsecured obligations payable in New Zealand, in New Zealand dollars.

(2) For each credit rating required to be disclosed pursuant to subclause (1) of this clause the General Disclosure Statement shall state:

(a) the name of the person who gave the credit rating;

(b) the current rating and all qualifications to that rating;

(c) any changes made to the rating in the two years preceding the Balance Date and the date on which any such change occurred; and

(d) descriptions or explanations of all the steps in the applicable rating scales.

Part IV

Financial and Supplementary Disclosures to be Contained in General Disclosure Statement

12. Content of Financial and Supplementary Disclosures—(1) For the Accounting Period, the General Disclosure Statement shall contain or be accompanied by financial statements of the Registered Bank and the Banking Group, prepared in accordance with the requirements of the Financial Reporting Act 1993 including, without limitation, section 13 of the Financial Reporting Act 1993, as though:

(a) the references in the Financial Reporting Act 1993 to a 'group' were to the Banking Group;

(b) the Registered Bank and the Banking Group do not qualify for any exemptions pursuant to the Framework for Differential Reporting issued by the Institute of Chartered Accountants of New Zealand; and

(c) the Registered Bank and the Banking Group do not qualify for the reporting exemption provided in paragraph 4.16(a) of FRS-33.

(2) (a) Subject to paragraph (b) of this subclause, for the Interim Accounting Period the General Disclosure Statement shall contain or be accompanied by financial statements of the Registered Bank and the Banking Group prepared in accordance with the requirements of the Financial Reporting Act 1993, including, without limitation, section 13 of the Financial Reporting Act 1993, as if the Interim Accounting Period were an Accounting Period, and as though:

(i) the references in the Financial Reporting Act 1993 to a 'group' were to the Banking Group;

(ii) the Registered Bank and the Banking Group do not qualify for any exemptions pursuant to the Framework for Differential Reporting issued by the Institute of Chartered Accountants of New Zealand; and

(iii) the Registered Bank and the Banking Group do not qualify for the reporting exemption provided in paragraph 4.16(a) of FRS-33.

(b) Nothing in paragraph (a) of this subclause requires an auditor to state whether, in the auditor's opinion, the financial statements referred to in that paragraph give a true and fair view of the matters to which they relate, provided that the General Disclosure Statement complies with clause 15 (2) of this Order.

(3) The General Disclosure Statement shall contain, where Material, the supplementary information for the Accounting Period or the Interim Accounting Period prescribed by Schedules 1 to 6 of this Order unless this information is included in the financial statements prepared in accordance with clause 12(1) or 12(2) of this Order.

(4) The General Disclosure Statement shall contain, where Material, the supplementary information for the Accounting Period or the Interim Accounting Period prescribed by Schedules 7 to 8 of this Order unless this information is included in the financial statements prepared in accordance with clause 12(1) or 12(2) of this Order.

13. Historical Summary of Financial Statements—(1) The General Disclosure Statement shall contain a historical summary of financial statements in respect of the Banking Group.

(2) The amounts in the historical summary of financial statements required to be disclosed pursuant to subclause (1) of this clause shall be amounts that appear in financial statements of the Banking Group giving a true and fair view of the results and state of affairs of the Banking Group for the period concerned, or, where no such statements have been prepared, amounts that would have appeared in such statements if they had been prepared.

(3) The amounts that appear in the historical summary of financial statements required to be disclosed pursuant to subclause (1) of this clause shall include the following:

- (a) total interest revenue;
- (b) total interest expense;
- (c) total other revenue;
- (d) total Impaired Asset expense;
- (e) total other expenses;
- (f) net profit or loss before taxation and extraordinary items;
- (g) taxation;
- (h) net profit or loss before extraordinary items;
- (i) extraordinary items;
- (j) net profit or loss after extraordinary items;
- (k) minority interests;
- (l) the amount of branch profits repatriated;
- (m) profit or loss retained;
- (n) total assets;
- (o) total Impaired Assets;
- (p) total liabilities;
- (q) head office account;

in the case of a Disclosure Statement prepared in respect of:

- (r) an Accounting Period, for each of the five most recent consecutive Accounting Periods; or
- (s) an Interim Accounting Period, for that Interim Accounting Period and each of the five most recent consecutive Accounting Periods.

(4) The General Disclosure Statement shall state whether the amounts required to be disclosed pursuant to subclause (3) of this clause have been taken from audited financial statements.

14. Members of Banking Group—The General Disclosure Statement shall state the name and nature of business of each member of the Banking Group other than the Registered Bank.

15. Auditor's Report—(1) A General Disclosure Statement Published in respect of an Accounting Period shall contain a copy of a report by an auditor signed by that auditor, either in the auditor's own name or the name of that auditor's firm, that states, with respect to the financial

statements and supplementary information prepared in accordance with clauses 12(1), 12(2), 12(3) and 12(4) of this Order:

- (a) the work done by the auditor;
- (b) the scope and limitations of the audit;
- (c) the existence of any relationship (other than that of auditor) which the auditor has with, or interest the auditor has in, the Registered Bank and any of its Subsidiaries or in-substance subsidiaries;
- (d) whether the auditor has obtained all the information and explanations that the auditor has required;
- (e) whether, in the auditor's opinion, as far as appears from an examination of them, proper accounting records have been kept by the Registered Bank and the Banking Group;
- (f) whether, in the auditor's opinion, the financial statements of the Registered Bank and the Banking Group comply with generally accepted accounting practice, and if they do not, the respects in which they fail to comply;
- (g) where applicable, whether, in the auditor's opinion, the supplementary information has been prepared in accordance with guidelines issued pursuant to section 78(3) of the Act (if any) or any Conditions of Registration, and is in accordance with the books and records of the Registered Bank and the Banking Group;
- (h) whether, in the auditor's opinion, and having regard to any information or explanations that may have been added by the Registered Bank pursuant to sections 11(2) and 14(2) of the Financial Reporting Act 1993, the financial statements of the Registered Bank and the Banking Group give a true and fair view of the matters to which they relate and, if they do not, the respects in which they fail to give such a view;
- (i) whether, in the auditor's opinion, the supplementary information disclosed in accordance with clause 12(3) of this Order gives a true and fair view of the matters to which it relates and, if it does not, the respects in which it fails to give such a view; and
- (j) whether, in the auditor's opinion, the supplementary information disclosed in accordance with clause 12(4) of this Order complies with Schedules 7 and 8 of this Order, and, if it does not, the respects in which it fails to comply with those Schedules.

(2) A Disclosure Statement Published in respect of an Interim Accounting Period shall contain a copy of a report by an auditor signed by that auditor either in the auditor's own name or the name of that auditor's firm, which either:

- (a) complies with the requirements contained in subclause (1) of this clause; or
- (b) (i) with respect to the financial statements prepared in accordance with clause 12(1) or 12(2) of this Order, states:
 - (A) that the financial statements have been examined by the auditor; and
 - (B) whether anything has come to the auditor's attention which would cause the auditor to believe that the financial statements do not present a true and fair view of the matters to which they relate;
- (ii) with respect to the supplementary information prepared in accordance with clause 12(3) of this Order, states:
 - (A) that the supplementary information has been examined by the auditor; and
 - (B) whether anything has come to the auditor's attention which would cause the auditor to

believe that the supplementary information does not present a true and fair view of the matters to which it relates;

(iii) with respect to the supplementary information prepared in accordance with clause 12(4) of this Order, states:

- (A) that the supplementary information has been examined by the auditor; and
- (B) whether anything has come to the auditor's attention which would cause the auditor to believe that the supplementary information does not comply with Schedules 7 and 8 of this Order.

16. Other Material Matters—The General Disclosure Statement shall state particulars of any matters relating to the business or affairs of the Registered Bank and the Banking Group which are not contained elsewhere in the General Disclosure Statement and which would, if disclosed, materially adversely affect the decision of a person to subscribe for Debt Securities of which the Registered Bank or any member of the Banking Group is the issuer.

17. The Directors' Statement—The General Disclosure Statement shall contain:

(1) a statement by the Directors as to whether each Director believes, after due enquiry, that:

- (a) the Disclosure Statement contains all the information that is required by this Order;
- (b) the Disclosure Statement is not false or misleading; as at the date on which the Disclosure Statement is signed; and

(2) a statement by the Directors as to whether each Director believes, after due enquiry, that:

- (a) the Registered Bank had systems in place to monitor and control adequately the Banking Group's Material risks, including Credit Risk, concentration of Credit Risk, Interest Rate Risk, Currency Risk, Equity Risk, liquidity risk and other business risks, and that those systems were being properly applied; and
- (b) the Registered Bank has complied with the Conditions of Registration;

over the Accounting Period or Interim Accounting Period.

18. Financial Statements of the Overseas Bank and Overseas Banking Group—The General Disclosure Statement shall contain a statement:

(1) that a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the most recent publicly available financial statements of the Overseas Bank and Overseas Banking Group, will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office;

(2) specifying the categories of places where a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the most recent publicly available financial statements of the Overseas Bank and Overseas Banking Group, will be provided at no charge to any person within 5 Working Days of a request for a copy having been made;

unless the content of the Supplemental Disclosure Statement is contained in the General Disclosure Statement.

Part V

Supplemental Disclosure Statement

19. General Matters—(1) Subject to subclause (2) of this clause, the Supplemental Disclosure Statement shall state only the information specified in clauses 20, 21 and 22 of this Order.

(2) If a Supplemental Disclosure Statement would be false or misleading as a result of stating the information specified in subclause (1) of this clause, information and explanations that will make the Supplemental Disclosure Statement not false or misleading shall also be stated.

20. Guarantors—(1) Where a General Disclosure Statement states that a person guarantees any Material obligations of the Overseas Bank, and subclause (2) of this clause does not apply, the Supplemental Disclosure Statement shall contain a copy of the full guarantee contract and the most recent financial statements and group financial statements of the guarantor, together with a copy of the audit report (if any) relating to those statements, unless this information is already contained within the General Disclosure Statement.

(2) Where a General Disclosure Statement states that a person or persons have entered into any Material cross guaranteeing arrangements with the Registered Bank, the Supplemental Disclosure Statement shall contain a copy of the full guarantee contract if:

- (a) there is a single contract which sets out the rights and obligations of all the cross guarantors; or
- (b) there is a standard contract which is representative of the rights and obligations of each of the cross guarantors;

unless this information is already contained within the General Disclosure Statement.

21. Conditions of Registration—The Supplemental Disclosure Statement shall contain a copy of the Conditions of Registration which are applicable as at the date of the Disclosure Statement, unless this information is already contained within the General Disclosure Statement.

22. Financial Statements of the Overseas Bank and Overseas Banking Group—The Supplemental Disclosure Statement shall contain a copy of the most recent publicly available financial statements of the Overseas Bank and Overseas Banking Group, unless this information is already contained within the General Disclosure Statement.

MARIE SHROFF, Clerk of the Executive Council.

First Schedule

Supplementary Financial Disclosures and Asset Quality

Supplementary Financial Disclosures

1. The General Disclosure Statement shall contain, in respect of the Registered Bank and the Banking Group, for the Accounting Period or the Interim Accounting Period, or as at the Balance Date, as the case may be, the information required to be disclosed pursuant to clauses 3 and 4 of this Schedule.

2. The information required to be disclosed pursuant to clause 3 of this Schedule shall include comparative figures for the previous corresponding period.

3. Supplementary Information on the Statement of Financial Position

- (1) Total interest earning and discount bearing assets;
- (2) Total interest and discount bearing liabilities;
- (3) Where assets presented in the statement of financial position have been used to secure any obligations, the nature and amount of the assets; and
- (4) The nature and amount of any assets not legally owned but presented in the statement of financial position.

4. Accounting Policies—(1) Accounting policies followed for Financial Instruments with respect to the basis for recognising revenues and expenses (including gains and losses), including:

- (a) interest revenue and expense, and policies on inter-period allocations of interest revenue and expense;

- (b) fee revenue and expenses, distinguishing between yield related and non yield related items, and policies in relation to inter-period allocations;
- (c) recognising gains or losses on Investment Securities and Other Securities.
- (2) Accounting policies followed for recognising Financial Instruments in the financial reports or for treating Financial Instruments as unrecognised items, including:
- (a) the classification and measurement of Investment Securities and Other Securities;
- (b) accounting for sale and repurchase agreements, reverse sale and repurchase agreements or their option derivatives;
- (c) whether securities are accounted for on a trade or settlement date basis;
- (d) accounting for Financial Instruments which are used for hedging purposes;
- (e) accounting for leases;
- (f) accounting for foreign exchange contracts, interest rate contracts, and derivative instruments such as options, futures, and swaps;
- (g) accounting for acceptances and endorsements of bills of exchange;
- (h) accounting for loan transfers and the securitisation of Financial Assets.

Asset Quality

5. The information required to be disclosed pursuant to clauses 6(a) and 6(b) of this Schedule shall include comparative figures for the previous corresponding period.

6. The General Disclosure Statement shall contain, in respect of the Registered Bank and Banking Group as at the Balance Date, the following information:

- (a) in respect of each of the following Classes of assets:
- (i) Non-Accrual Assets;
- (ii) Restructured Assets;
- (iii) Real Estate Assets Acquired Through the Enforcement of Security;
- (iv) Other Assets Acquired Through the Enforcement of Security; and
- (v) Past Due Assets;
- the following information:
- (vi) the aggregate amount which has been recognised; and
- (vii) the aggregate amount which has not been recognised;
- before deducting provisions for expected losses or provisions for diminution in asset value, and
- (viii) the aggregate amount of Specific Provisions or provisions for diminution in asset value;
- (ix) the aggregate amount of General Provisions (if any);

- (b) the amount of interest revenue foregone over the Accounting Period or Interim Accounting Period in respect of holdings of Non-Accrual Assets and, where Material, holdings of Restructured Assets and Past Due Assets;

- (c) the basis on which the amounts disclosed pursuant to clause 6(b) of this Schedule have been calculated;
- (d) information on movements in pre-provision balances over the Accounting Period or Interim Accounting Period for each of the Classes of assets set out in subparagraphs (i) to (v) of clause 6 (a) of this Schedule, separately disclosing, where Material:
- (i) pre-provision opening balance;
- (ii) additions;
- (iii) amounts written-off;
- (iv) deletions;
- (v) pre-provision closing balance;
- (e) information on movements in the balances of total Specific Provisions or provisions for diminution in asset value over the Accounting Period or Interim Accounting Period, for each of the Classes of assets set out in subparagraphs (i) to (v) of clause 6 (a) of this Schedule, separately disclosing, where Material:
- (i) opening balance;
- (ii) charge (credit) to the statement of financial performance for increase/decrease in Specific Provisions or provisions for diminution in asset value;
- (iii) amounts written off;
- (iv) write-downs of Assets Acquired Through the Enforcement of Security;
- (v) recoveries of provisions and write-offs charged in previous periods;
- (vi) other movements, and the nature thereof;
- (vii) closing balance;
- with movements reconciled to the charges allocated to the statement of financial performance; and
- (f) information on movements in the balance of the General Provision over the Accounting Period or Interim Accounting Period, separately disclosing, where Material:
- (i) opening balance;
- (ii) charge (credit) to statement of financial performance for increase/decrease in the General Provision;
- (iii) other movements, and the nature thereof;
- (iv) closing balance;
- with movements reconciled to the charges allocated to the statement of financial performance.

Second Schedule

The Size and Nature of Business of the Registered Bank and Banking Group

The General Disclosure Statement shall contain the information specified below, in such format as the Registered Bank determines, derived in accordance with the Reserve Bank document entitled "Capital Adequacy Framework" (BS2) as amended from time to time, in respect of the Registered Bank and the Banking Group as at the Balance Date.

RISK WEIGHTED EXPOSURES

(1) Calculation of Balance Sheet Exposures

	Principal Amount	Risk Weight	Risk Weighted Exposure
Cash and short term claims on Government		0%	
Long term claims on Government		10%	
Claims on banks		20%	
Claims on public sector entities		20%	
Residential mortgages		50%	
Other		100%	
Total assets			

(2) Calculation of Off-Balance Sheet Exposures

Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Average Counterparty Risk Weight	Risk Weighted Exposure
Direct credit substitutes	100%			
Asset sales with recourse	100%			
Commitments with certain drawdown	100%			
Underwriting and sub-underwriting facilities	50%			
Transaction related contingent items	50%			
Short term, self liquidating trade related contingencies	20%			
Other commitments to provide financial services which have an original maturity of 1 year or more	50%			
Other commitments with an original maturity of less than 1 year or which can be unconditionally cancelled at any time	0%			
Market related contracts ¹	NA			
(a) Foreign exchange contracts				
(b) Interest rate contracts				
(c) Other				
Total off-balance sheet exposures				
Risk Weighted Exposures				

¹ Specify whether the current exposure or original exposure method was used to calculate the credit equivalent amount on these contracts.

Third Schedule**Capital Adequacy of the Overseas Bank and Overseas Banking Group**

1. The information required to be disclosed pursuant to clause 2 of this Schedule shall include comparative figures for the previous corresponding period, where that information is publicly available.

2. The General Disclosure Statement shall contain the most recent publicly available information specified in respect of the capital adequacy ratios of the Overseas Bank and the Overseas Banking Group:

- Tier One Capital expressed as a percentage of risk weighted exposures;
- Capital expressed as a percentage of risk weighted exposures; and
- the date to which the measures of Tier One Capital and Capital relate.

3. The General Disclosure Statement shall contain a statement as to:

- whether the Overseas Bank or Overseas Banking Group is required by the appropriate banking supervisory authority in its country of domicile to hold minimum Capital at least equal to that specified under the Basle framework; and
- whether the Overseas Bank or Overseas Banking Group meets those requirements imposed on it by the appropriate banking supervisory authority in its country of domicile as at the latest Balance Date.

Fourth Schedule**Concentration of Credit Exposures to Individual Counterparties**

1. For the purposes of this Schedule, Credit Exposure information shall be disclosed either on the basis of:

- actual Credit Exposures; or
- internal limits, provided that those limits were not materially exceeded during the Accounting Period or the Interim Accounting Period.

The General Disclosure Statement shall state the method used.

2. For the purposes of this Schedule:

- the information disclosed shall include comparative figures for the previous corresponding period;
- Credit Exposure information shall:
 - relate only to exposures held in the financial records of the Banking Group;
 - be calculated net of Specific Provisions; and
 - exclude Credit Exposures to any OECD Government.

3. For the purposes of this Schedule, the Overseas Banking Group's Equity shall be either that group's Equity determined as at the Balance Date, or the most recently publicly disclosed amount. Where the Overseas Banking Group's Equity is not determined as at the Balance Date, the General Disclosure Statement shall state the date to which the measure of Equity relates.

4. The General Disclosure Statement shall disclose:

- the number of individual Bank Counterparties (not being members of a Group of Closely Related Counterparties) and Groups of Closely Related Counterparties of which a Bank is the parent; and
- the number of individual non Bank Counterparties (not being members of a Group of Closely Related Counterparties) and Groups of Closely Related Counterparties of which a Bank is not the parent;

to whom the Banking Group has an aggregate Credit Exposure which equals or exceeds 10% of the Overseas Banking Group's Equity:

- as at the Balance Date; and
- in respect of peak end-of-day aggregate Credit Exposures for the most recent quarter of the Accounting Period or Interim Accounting Period; in successive ranges of 10% of Equity, commencing at 10% of Equity.

5. For the purposes of this Schedule, peak end-of-day aggregate Credit Exposure to each individual Counterparty or a Group of Closely Related Counterparties for the most recent quarter of the Interim Accounting Period or the Accounting Period shall be derived by determining the maximum end-of-day aggregate amount of Credit Exposure over the quarter, and then dividing that amount by:

- the Overseas Banking Group's Equity as at the end of the quarter; or
- the Overseas Banking Group's Equity at the date the maximum end-of-day aggregate amount of Credit Exposure occurred.

A Registered Bank shall state in the General Disclosure Statement which of these methods it has used to derive peak ratio information.

Fifth Schedule**Securitisation, Funds Management, and other Fiduciary Activities**

1. The General Disclosure Statement shall contain the information required to be disclosed pursuant to clauses 3 to 5 of this Schedule in respect of the Banking Group.

2. The information required to be disclosed pursuant to clause 5 of this Schedule shall include comparative figures for the previous corresponding period.

3. A statement of the nature of the Banking Group's involvement in:

- (a) trust, custodial, funds management, and other fiduciary activities established, marketed, and/or sponsored by a member of the Banking Group; and
- (b) the origination of securitised assets, and in the marketing or servicing of securitisation schemes.

4. A statement as to whether arrangements have been put in place to ensure that difficulties arising from the activities specified in clause 3 of this Schedule would not impact adversely on the Banking Group, and if so, the nature of those arrangements.

5. A statement of the amount as at the Balance Date represented by each of the activities specified in clause 3 of this Schedule (where practicable, in the case of custodial activities), disclosed according to the nature of the activity.

Sixth Schedule

Risk Management Policies

1. In respect of the Banking Group, for each of the following categories of risk:

- (a) Credit Risk, including concentrations of Credit Risk, intra-day Credit Risk, Credit Risk to Bank Counterparties and related party Credit Risk;
- (b) Currency Risk;
- (c) Interest Rate Risk;
- (d) Equity Risk;
- (e) liquidity risk;
- (f) any other Material business risk to which the Banking Group is exposed;

the General Disclosure Statement shall contain the information set out in clause 2 of this Schedule.

2. In relation to each risk identified in clause 1 of this Schedule, the General Disclosure Statement shall contain:

- (a) an explanation of the nature of the risk and the activities of the Banking Group which give rise to that risk;
- (b) a general description of the methods used to identify and monitor exposure to the risk, including the frequency with which exposures are monitored; and
- (c) a general description of the systems and procedures for controlling the risk, including, where applicable, whether exposure limits are employed, any policies with respect to collateral or other security, and any policies on the use of Financial Instruments to mitigate or hedge risks.

3. The General Disclosure Statement shall contain a statement as to the nature and frequency of any reviews conducted in respect of the Banking Group's risk management systems, including a statement as to whether any such reviews were conducted by a party external to the Banking Group, Overseas Banking Group, Ultimate Parent Bank or Ultimate Holding Company.

4. The General Disclosure Statement shall contain a statement as to whether the Banking Group has an internal audit function and, if so, its nature, including:

- (a) organisational status, including formal and administrative reporting procedures;
- (b) reference to the existence of an audit committee and, if applicable, the nature and scope of that committee; and
- (c) scope of the internal audit function, including type and frequency of audits.

Seventh Schedule

Exposures to Market Risk

1 (1) A Registered Bank shall disclose the amount of Aggregate Market Risk Exposures of the Banking Group in respect of each category of Aggregate Market Risk Exposure on the basis of:

- (a) Aggregate Market Risk Exposures derived in accordance with Schedule 8 of this Order; or
- (b) the Banking Group's internal operating limits applicable to the relevant category of Aggregate Market Risk Exposure, but only if the Aggregate Market Risk Exposure in that category has not Materially exceeded those limits at any time during the Accounting Period.

(2) The General Disclosure Statement shall state which of the above methods is used, and where the method used is that set out in clause 1(1)(a) of this Schedule, shall also state which of the methods described in clauses 1, 8 and 11 of the Eighth Schedule (for deriving Aggregate Interest Rate Exposure, Aggregate Foreign Currency Exposure and Aggregate Equity Exposure respectively) is used.

(3) Where, in respect of a category of Aggregate Market Risk Exposure, a Registered Bank uses different methods to derive Aggregate Market Risk Exposure in that category as at Balance Date, and in respect of peak end-of-day exposure since the commencement of the Accounting Period, the Registered Bank shall identify, in relation to each of the disclosures made pursuant to this Schedule, the method used.

2. The information required to be disclosed pursuant to clause 4 of this Schedule shall include comparative figures for the previous corresponding period.

3. For the purposes of this Schedule, the Overseas Banking Group's Equity shall be either that group's Equity determined as at the Balance Date, or the most recently publicly disclosed amount. Where the Overseas Banking Group's Equity is not determined as at the Balance Date, the General Disclosure Statement shall state the date to which the measure of Equity relates.

4. The General Disclosure Statement shall disclose in respect of the Banking Group:

- (a) Aggregate Interest Rate Exposure;
 - (b) Aggregate Foreign Currency Exposure; and
 - (c) Aggregate Equity Exposure;
- expressed both as an amount and as a percentage of the Overseas Banking Group's Equity:
- (i) as at the Balance Date; and
 - (ii) in respect of peak end-of-day exposures for the most recent quarter of the Accounting Period or Interim Accounting Period.

5. For the purposes of this Schedule, peak end-of-day exposure to each category of Aggregate Market Risk Exposure for the most recent quarter of the Interim Accounting Period or the Accounting Period shall be derived by determining the maximum end-of-day Aggregate Market Risk Exposure over the quarter, and then dividing that amount by:

- (a) the Overseas Banking Group's Equity as at the end of the quarter; or
- (b) the Overseas Banking Group's Equity at the date the maximum end-of-day Aggregate Market Risk Exposure occurred.

A Registered Bank shall state in the General Disclosure Statement which of these methods it has used to derive peak ratio information.

Eighth Schedule**Measurement of Market Risk Exposure****Aggregate Interest Rate Exposure**

1. The Registered Bank shall derive the amount of Aggregate Interest Rate Exposure of the Banking Group in accordance with either:

- (a) clauses 2 to 7 of this Schedule; or
- (b) any other method, but only if the Aggregate Interest Rate Exposure derived in accordance with that method is not, in the opinion of the Registered Bank (such opinion to be based on reasonable grounds), Materially lower than the amount derived pursuant to clause 1(a) of this Schedule.

2. Interest Rate Exposure in a Single Currency—Interest Rate Exposure in a single currency is the total of:

- (a) the directional interest rate risk;
 - (b) the vertical disallowance; and
 - (c) the horizontal disallowance;
- in that currency.

3. Exposure to Directional Interest Rate Risk in a Single Currency—(1) The amount of directional interest rate risk in a single currency shall be derived by subtracting the aggregate amount of the change in the value of each Financial Liability (excluding equity instruments) of the Banking Group arising from a directional change in interest rates in that currency from the aggregate amount of the change in the value of each Financial Asset (excluding equity instruments) of the Banking Group, arising from a directional change in interest rates in that currency.

(2) The value of a Financial Instrument is:

- (a) in the case of an unrecognised Financial Instrument and a recognised Financial Instrument which is a market related contract, the face or contract amount of the Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate; and
- (b) in the case of other Financial Instruments, the carrying amount of the Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate.

(3) The change in the value of a Financial Instrument is derived by multiplying the value, or proportion of the value, of the Financial Instrument allocated to the applicable time band specified in Table 1, in accordance with clause 3(4), by the risk weight specified for that time band in Table 1.

Table 1: Time Bands, Risk Weights, and Assumed Interest Rate Changes

Assumed Interest Rate Change(%)	Time Bands							
	up to 1 mth	1-6 mths	6-12 mths	1-2 yrs	2-4 yrs	4-6 yrs	6-10 yrs	Over 10 yrs
Risk weights (%)	1.0	1.0	1.0	0.9	0.8	0.7	0.6	0.6
	0	0.3	0.7	1.3	2.0	3.0	3.5	4.4

(4) Subject to clauses 3 (5) and 3 (6) of this Schedule, the value of each Financial Instrument, or a proportion of it, shall be allocated to the time band specified in Table 1 in a manner which the Registered Bank believes, on reasonable grounds, reflects the date on which the interest rate applicable to the Financial Instrument, or proportion of the Financial Instrument, will be altered, or the date at which the principal, or a proportion of the principal, will be paid, notwithstanding the Interest Rate Repricing Date of the Financial Instrument.

(5) Notwithstanding clause 3(4) of this Schedule:

- (a) a Registered Bank may exclude from the application of clause 3(4) of this Schedule the value, or the appropriate proportion of the value, of those Financial Instruments which meet the netting criteria contained in clause 4; and

- (b) the aggregate value, or the appropriate proportion of the aggregate value, of all Rate Insensitive Retail Assets and of all Rate Insensitive Retail Liabilities shall be allocated to the time bands specified in Table 2 in accordance with the percentages set out in Table 2.

Table 2: Allocation of the value of Rate Insensitive Retail Products across time bands

Percentage of aggregate value	Time Bands					
	up to 1 mth	1-6 mths	6-12 mths	1-2 yrs	2-4 yrs	4-6 yrs
	5%	5%	10%	20%	40%	20%

(6) A Registered Bank may exclude the value of options and, instead, use its own methodology to determine the Interest Rate Exposure in any currency arising from options and add the amount so derived to the total Interest Rate Exposure in that currency.

4. Netting Criteria—A Registered Bank may exclude the value of Financial Instruments in respect of which it has matched positions which meet any one of the following criteria:

- (a) the matched position comprises the same Financial Instruments with the same issuer, coupon, currency and maturity; or
- (b) (i) with respect to matched positions comprising futures, the underlying Financial Instruments to which the futures relate must:
 - (A) be for the same product;
 - (B) have the same value or notional value;
 - (C) be denominated in the same currency; and
 - (D) mature within seven days of each other; or
- (ii) with respect to matched positions comprising swaps (including separate legs of different swaps) or FRAs, the underlying Financial Instruments to which the swaps or FRAs relate must:
 - (A) be for the same product;
 - (B) have the same value or notional value;
 - (C) be denominated in the same currency;
 - (D) have reference rates (for floating rate positions) which are identical;
 - (E) have coupon rates which are identical or which do not differ by more than 15 basis points; and
 - (F) have the time to run before the next Interest Rate Repricing Date within the following limits:

Earliest Repricing Date	Limits
Less than one month hence:	same day
Between one month and one year hence:	within seven days
More than one year hence:	within thirty days;
or	

(iii) with respect to matched positions comprising forwards, the underlying Financial Instruments to which the forwards relate must:

- (A) be for the same product;
- (B) have the same value or notional value;
- (C) be denominated in the same currency; and
- (D) have the time to run before the next Interest Rate Repricing Date within the following limits:

Earliest Repricing Date	Limits
Less than one month hence:	same day
Between one month and one year hence:	within seven days

More than one year
hence: within thirty days.

5. The Amount of Vertical Disallowance in a Single Currency—(1) The amount of vertical disallowance in a single currency is the sum of the vertical disallowances calculated in accordance with clause 5(2) for each of the time bands specified in Table 1 of this Schedule.

(2) The amount of vertical disallowance in a time band shall be calculated as follows:

- (a) derive the risk weighted matched position in the time band (which is either the lesser of the sum of the absolute values of the Financial Assets and the sum of the absolute values of the Financial Liabilities in that time band, or, if those sums are equal, that sum, multiplied by the risk weight for that time band);
- (b) derive the risk weighted value of the Rate Insensitive Retail Products in that time band (which is the sum of the absolute values of the Rate Insensitive Retail Assets and Rate Insensitive Retail Liabilities in that time band multiplied by the risk weight for that time band);
- (c) if the risk weighted matched position is less than or equal to the risk weighted value of the Rate Insensitive Retail Products in a time band, then the vertical disallowance amount for that time band is the risk weighted matched position multiplied by 20%;
- (d) if the risk weighted matched position is greater than the risk weighted value of the Rate Insensitive Retail Products in a time band, then the vertical disallowance amount for that time band is:
 - (i) the risk weighted value of the Rate Insensitive Retail Products multiplied by 20%; plus
 - (ii) the difference between the risk weighted matched position and the risk weighted value of the Rate Insensitive Retail Products, multiplied by 5%.

(3) The vertical disallowance in a currency shall have the same sign (positive or negative) as the directional risk calculated for that currency.

6. The Amount of Horizontal Disallowance in a Single Currency—(1) The amount of horizontal disallowance in a single currency shall be calculated in accordance with clauses 6(2) to 6(6).

(2) Allocate the time bands specified in Table 1 of this Schedule to the three time zones specified in Table 3:

Table 3: Time zones

Time Bands	Time Zones
up to 1 month	
1-6 months	Zone 1
6-12 months	
1-2 years	
2-4 years	Zone 2
4-6 years	
6-10 years	Zone 3
over 10 years	

(3) Calculate the amount of the intra-zone disallowance in each time zone as follows:

- (a) derive the risk weighted net position in each time band (which is the amount of the risk weighted Financial Assets less the amount of the risk weighted Financial Liabilities in that time band). If the risk weighted net position in a time band is positive, this is a risk weighted long position and if it is negative, this is a risk weighted short position;
- (b) derive the aggregate risk weighted long position in each time zone (which is the sum of any risk weighted long positions in the time bands in that time zone) and the aggregate risk weighted short position in each time zone (which is the sum of any risk weighted short positions in the time bands in that time zone);
- (c) derive the matched position in each time zone (which

is either the lesser of the absolute value of the aggregate risk weighted long position and the absolute value of the aggregate risk weighted short position in that time zone, or, if the absolute values of those positions are equal, that absolute value), if any;

(d) the amount of intra-zone disallowance in a time zone is the value of the matched position in that time zone multiplied by the disallowance factor for that time zone specified in Table 4. If there is no matched position in a time zone, the amount of the intra-zone disallowance in that time zone is zero.

Table 4: Intra-zone disallowances

Time Zones	Disallowance Factors
Zone 1	40%
Zone 2	30%
Zone 3	30%

(4) Calculate the amount of the inter-zone disallowances as follows:

(a) inter-zone disallowances are derived in the following order: time zones 1 and 2, 2 and 3, and 1 and 3. The inter-zone disallowance factors which must be used to derive the inter-zone disallowance amounts are specified in Table 5;

Table 5: Inter-zone disallowances

Time Zones	Disallowance Factors
Zones 1 and 2	40%
Zones 2 and 3	40%
Zones 1 and 3	100%

- (b) derive the residual position in each time zone (which is the net amount of the aggregate risk weighted long position and the aggregate risk weighted short position). If the residual position is positive this is a residual long position and if it is negative this is a residual short position;
- (c) there is a matched position between time zones 1 and 2 if there is a residual long position in one time zone and a residual short position in the other. The matched position is either the smaller of the absolute value of the residual long position and the absolute value of the residual short position, or, if the absolute values of those positions are equal, that absolute value. If there is no matched position, the amount of horizontal disallowance is zero. If there is a matched position, then the amount of horizontal disallowance between time zones 1 and 2 is the value of the matched position multiplied by the disallowance factor for time zones 1 and 2 specified in Table 5;
- (d) derive the net residual position in time zone 2, by taking the difference between the absolute value of the residual position in time zone 2 and the matched position between time zones 1 and 2, and allocating to that amount, if any, the sign of the residual position in time zone 2. If the net residual position in time zone 2 is positive this is a net residual long position and if it is negative this is a net residual short position;
- (e) there is a matched position between time zones 2 and 3 if there is a net residual long position in time zone 2 and a residual short position in time zone 3 or a net residual short position in time zone 2 and a residual long position in time zone 3. The matched position is either the smaller of the absolute value of those residual positions, or, if the absolute values of those positions are equal, that absolute value. If there is no matched position, the amount of the horizontal disallowance is zero. If there is a matched position then the amount of horizontal disallowance between time zones 2 and 3 is the value of the matched position multiplied by the disallowance factor for time zones 2 and 3 specified in Table 5;
- (f) derive the net residual position in time zone band in time zone 3:

(i) in time zone 1, by taking the difference between the absolute value of the residual position in time zone 1 and the matched position between time zones 1 and 2, and allocating to that amount, if any, the sign of the residual position in time zone 1;

(ii) in time zone 3, by taking the difference between the absolute value of the residual position in time zone 3 and the matched position between time zones 2 and 3, and allocating to that amount, if any, the sign of the residual position in time zone 3,

(if the net residual position in a time zone is positive this is a net residual long position and if it is negative this is a net residual short position);

(g) there is a matched position between time zones 1 and 3 if there is a net residual long position in one time zone and a net residual short position in the other. The matched position is either the smaller of the absolute value of the net residual long position and the absolute value of the net residual short position, or, if the absolute values of those positions are equal, that absolute value. If there is no matched position, the amount of horizontal disallowance is zero. If there is a matched position then the amount of horizontal disallowance between time zones 1 and 3 is the value of the matched position multiplied by the disallowance factor for time zones 1 and 3 specified in Table 5.

(5) The amount of the horizontal disallowance in a single currency is the aggregate of the amounts of intra-zone disallowances and inter-zone disallowances in that currency.

(6) The horizontal disallowance in a currency shall have the same sign (positive or negative) as the directional risk calculated for that currency.

7. Aggregate Interest Rate Exposure For All Currencies—A Banking Group's Aggregate Interest Rate Exposure is the greater of the absolute value of the sum of any positive Interest Rate Exposures and the absolute value of the sum of any negative Interest Rate Exposures.

Aggregate Foreign Currency Exposure

8. The Registered Bank shall derive the amount of Aggregate Foreign Currency Exposure in accordance with either:

(a) clauses 9 and 10 of this Schedule; or

(b) any other method, but only if the Aggregate Foreign Currency Exposure derived in accordance with that method is not, in the opinion of the Registered Bank (such opinion to be based on reasonable grounds), Materially lower than the amount derived pursuant to clause 8(a) of this Schedule.

9. Foreign Currency Exposure in a Single Foreign Currency—(1) Subject to clauses 9(2) and 9(4) of this Schedule, a Banking Group's Foreign Currency Exposure in a single foreign currency is derived by:

(a) subtracting the aggregate amount of the value of Financial Liabilities (whether recognised or unrecognised) of the Banking Group in that foreign currency from the aggregate amount of the value of the Financial Assets (whether recognised or unrecognised) of the Banking Group in that foreign currency; and

(b) multiplying the amount derived in clause 9(a) of this Schedule by 0.08.

(2) Subject to clause 9(3), the value of a Financial Instrument is either:

(a) (i) in the case of an unrecognised Financial Instrument and a recognised Financial Instrument which is a market related contract, the face or

contract amount of the Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate; and

(ii) in the case of other Financial Instruments, the carrying amount of the Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate; or

(b) the present value of that Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate.

(3) Notwithstanding clause 9(2) of this Schedule, the value of options in a single foreign currency shall be either the delta equivalent value, or a value derived using the Registered Bank's own method for valuing the open position arising from options in that foreign currency.

(4) For the purposes of clause 9 (1) of this Schedule, Financial Instruments which have been issued by associates of the Registered Bank or which have been included in the Capital of the Overseas Banking Group shall not be included in the calculation of the Banking Group's Foreign Currency Exposure.

10. Aggregate Foreign Currency Exposure—A Banking Group's Aggregate Foreign Currency Exposure is the absolute value of the greater of the sum of any positive Foreign Currency Exposures and the sum of any negative Foreign Currency Exposures.

Aggregate Equity Exposure

11. The Registered Bank shall derive the amount of its Aggregate Equity Exposure in accordance with either:

(a) clauses 12 and 13 of this Schedule; or

(b) any other method, but only if the Aggregate Equity Exposure derived in accordance with that method is not, in the opinion of the Registered Bank (such opinion to be based on reasonable grounds), Materially lower than the amount derived pursuant to clause 11(a) of this Schedule.

12. Equity Exposure in a single currency—(1) Subject to clauses 12(2) and 12(3) of this Schedule a Banking Group's Equity Exposure in a single currency is derived by:

(a) subtracting the aggregate amount of the value of all of the equity instruments (whether recognised or unrecognised) of the Banking Group in that currency that are Financial Liabilities from the aggregate amount of the value of all the equity instruments (whether recognised or unrecognised) of the Banking Group in that currency that are Financial Assets; and

(b) multiplying the amount derived in clause 12(a) of this Schedule by 0.08.

(2) Notwithstanding clause 12(1) of this Schedule, the value of equity instruments issued by associates of the Registered Bank shall not be included in the calculation of the Banking Group's Equity Exposure.

(3) Subject to clause 12(4) of this Schedule, the value of an equity instrument is:

(a) in the case of an unrecognised equity instrument and a recognised equity instrument which is a market related contract, the face or contract amount of the equity instrument expressed in New Zealand dollars using the relevant spot exchange rate; and

(b) in the case of other equity instruments, the carrying amount of the equity instrument expressed in New Zealand dollars using the relevant spot exchange rate.

(4) Notwithstanding clause 12(3) of this Schedule, the value of:

(a) a net equity futures position is the marked-to-market value of the notional underlying equity position; and

(b) a net equity option position is the delta equivalent value.

13. Aggregate Equity Exposure—The Banking Group's Aggregate Equity Exposure is the sum of the absolute values of the Equity Exposures in each currency.

Explanatory Note

This note is not part of the Order in Council, but is intended to indicate its general effect.

This Order in Council is promulgated pursuant to section 81(1) of the Reserve Bank of New Zealand Act 1989 and applies to a registered bank which is incorporated in a country other than New Zealand, and which operates in New Zealand as a branch of the overseas bank, in respect of each such bank's end of financial year and half year.

The Order in Council is one of four which replace four original Orders promulgated in 1995, and amended in 1996. The 1995 Orders provided for a public disclosure regime for registered banks, and replaced prospectus requirements imposed under the Securities Act 1978 on registered banks in respect of their offers of debt securities to the public.

More specifically, this Order in Council replaces the Registered Bank Disclosure Statement (Full and Half—Year—Overseas Incorporated Registered Banks) Order 1995 and the Registered Bank Disclosure Statement (Full and Half—Year—Overseas Incorporated Registered Banks) Amendment Order 1996, and comes into force on 1 October 1998.

This Order integrates the disclosure requirements of the 1995 Order and its 1996 amendment, and aligns and cross-references them to the reporting requirements of the accounting standard FRS-33: *Disclosure of Information by Financial Institutions* (FRS-33 was approved by the Accounting Standards Review Board in April 1997, and came into effect for accounting periods beginning on 1 April 1997). It also revises the disclosure requirements of the previous Orders in the light of the experience gained with the disclosure regime for registered banks since its commencement in 1996.

A description of the principal provisions of the revised disclosure regime is given below.

Under the disclosure regime, all registered banks are required to issue a public disclosure statement each quarter. The disclosure statement required to be published pursuant to this Order in Council comprises a Key Information Summary, a General Disclosure Statement and, if applicable, a Supplemental Disclosure Statement.

The Key Information Summary provides a brief summary of key financial information on the registered bank and its banking group, and must be made available free of charge immediately upon request. The Key Information Summary must also be displayed prominently in each bank branch and in any other customer-accessible bank premises, and made available or displayed on a bank's internet website.

The General Disclosure Statement is required to contain a comprehensive range of financial and corporate information on the bank and its banking group. The General Disclosure Statement need not be displayed in each bank branch, but must be made available free of charge, immediately if the request is made at a bank's head office, or within five working days if the request is made at a bank branch or at any customer-accessible bank premises other than the head office. The information required to be included in a General Disclosure Statement includes:

- a general information on the structure of the bank, the members of the banking group and information on guarantee arrangements (where applicable);
- b a statement as to whether the bank has a credit rating, and if so, a disclosure of that rating;

- c comprehensive financial statements for the bank and banking group, prepared in accordance with generally accepted accounting practice, including asset quality and risk concentration information;
- d information, both as at the end of the half year or full year and in respect of peak for the most recent quarter of the accounting period, on exposure concentrations to individual counterparties and groups of closely related counterparties;
- e market risk information, both as at the end of the half year or full year and in respect of peak for the most recent quarter of the accounting period, on the banking group's interest rate exposure, foreign currency exposure and equity exposure. A bank is required to disclose its exposure to each of these categories of market risk, as an amount and as a percentage of the overseas banking group's equity;
- f descriptions of the banking group's policies and systems for identifying, monitoring and managing its risks;
- g statements signed by the directors of the bank, including an attestation as to whether the directors are satisfied that the banking group's internal controls are adequate for managing the group's material business risks and whether the controls have been properly applied over the reporting period, and a statement that the disclosure statement is not false or misleading;
- h information on the banking group's funds management and securitisation activities, to the extent it has any;
- i information on the directorate and auditors of the bank.

A registered bank is required to calculate market risk exposures using either the method specified in the Order, or a different method, provided that such method does not give a result which would be materially lower than that arrived at by the method specified in the Order.

Each bank must also publish a Supplemental Disclosure Statement, unless the information it would include is contained in the General Disclosure Statement. The Supplemental Disclosure Statement must be made available free of charge, immediately if the request is made at a bank's head office, or within five working days if the request is made at a bank branch or at any customer-accessible bank premises other than the head office. This Order in Council requires the following information to be contained in a Supplemental Disclosure Statement:

- a the conditions of registration imposed by the Reserve Bank on the registered bank pursuant to section 74 of the Reserve Bank of New Zealand Act;
- b the contract of guarantee and financial statements of any guarantor, where the material obligations of the overseas bank are guaranteed;
- c where the overseas bank has entered into any material cross guaranteeing arrangements, a copy of the full guarantee contract if there is a contract which sets out, or is representative of, the rights and obligations of all the cross guarantors;
- d the most recent publicly available financial statements of the overseas bank and overseas banking group of which the registered bank is part.

A bank has three months after its balance date or interim balance date in which to publish the disclosure statements required by this Order in Council.

The disclosure statement in respect of the end of a financial year is subject to full external audit. The disclosure statement prepared as at the half year is subject to a limited review by an external auditor, although a bank may elect to obtain a full external audit. With the exception of the market risk information, the audit opinions at both of these periods concern whether the information disclosed gives a true and fair view of the matters to which it relates. The audit opinion on the market risk information relates to

whether the information disclosed complies with the provisions of this Order for determining and disclosing that information.

The disclosure statements required by this Order in Council must be signed by all the directors of the bank. A director may authorise in writing another person to sign on his or her behalf.

In addition, the Order in Council makes provision for the Reserve Bank to require a newly registered bank to publish an initial disclosure statement, so that there is no gap between the time the bank commences business and the time a disclosure statement is made available to its customers.

The Reserve Bank of New Zealand Act provides for criminal and civil penalties where a bank's disclosure statement is found to be false or misleading.

This Order in Council is administered in the Reserve Bank of New Zealand.

au5446

Registered Bank Disclosure Statement (Off-Quarter—Overseas Incorporated Registered Banks) Order 1998

MICHAEL HARDIE BOYS, Governor-General

ORDER IN COUNCIL

At Wellington this 24th day of August 1998

Present:

HIS EXCELLENCY THE GOVERNOR-GENERAL IN COUNCIL

Pursuant to section 81(1) of the Reserve Bank of New Zealand Act 1989, His Excellency the Governor-General, acting by and with the advice and consent of the Executive Council, and on the advice of the Treasurer given in accordance with a recommendation of the Reserve Bank of New Zealand, hereby makes the following Order.

A n a l y s i s

1. Title, Application and Commencement

Part I—Preliminary

2. Interpretation

3. Form, Frequency and Distribution of Short Form Disclosure Statement

4. General Provisions Relating to Content of Short Form Disclosure Statement

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Part III—General Disclosures to be Contained in General Short form Disclosure Statement

6. General Matters

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Schedules

1. Short Form Financial Statements

2. The Size and Nature of Business of the Banking Group

3. Capital Adequacy of the Overseas Bank and Overseas Banking Group

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5. Concentration of Credit Exposures to Individual Counterparties

6. Risk Management Policies

7. Exposures to Market Risk

8. Measurement of Market Risk Exposure

O r d e r

1. Title, Application and Commencement—(1) This Order may be cited as the Registered Bank Disclosure Statement (Off-Quarter—Overseas Incorporated Registered Banks) Order 1998.

(2) This Order applies to every Registered Bank incorporated overseas.

(3) This Order shall come into force on the 1st day of October 1998 and replaces the Registered Bank Disclosure Statement (Off-Quarter—New Zealand Incorporated Registered Banks) Order 1995 which is hereby consequentially revoked.

(4) The first Short Form Disclosure Statement required by this Order in respect of a Registered Bank shall be in respect of the first Off Quarter Balance Date which occurs after 1 October 1998.

Part I

Preliminary

2. Interpretation—(1) Any term or expression used in this Order that is not defined in this Order:

(a) which is defined in the Act shall, unless the context otherwise requires, have the meaning given to it by the Act;

(b) which is not defined in the Act and which is defined in the Conditions of Registration shall, unless the context otherwise requires, have the meaning given to it by the Conditions of Registration; and

(c) which is not defined in the Act or in the Conditions of Registration shall, unless the context otherwise requires, be interpreted in compliance with generally accepted accounting practice (as that term is defined in section 3 of the Financial Reporting Act 1993).

(2) References in this Order to the singular include the plural and vice versa.

(3) In this Order a reference to an 'FRS' is a reference to a Financial Reporting Standard approved or given authoritative support from time to time by the Accounting Standards Review Board pursuant to sections 24 and 27 of the Financial Reporting Act 1993.

(4) In this Order, unless the context otherwise requires:

'Accounting Period' has the meaning set out in the Companies Act 1993.

'Act' means the Reserve Bank of New Zealand Act 1989.

'Address for Service' in relation to:

(a) an individual, means the address of their usual place of business in New Zealand or, if no such address exists, the address of their usual place of business outside New Zealand;

(b) a company within the meaning of section 2(1) of the Companies Act 1993, means the address for

- service adopted by the company under section 192 of that Act;
- (c) any other entity, means the address of its principal office or principal place of business in New Zealand or, if no such address exists, its principal office or principal place of business outside New Zealand.
- ‘Aggregate Equity Exposure’ means the aggregate amount of Equity Exposure to all currencies.
- ‘Aggregate Foreign Currency Exposure’ means the aggregate amount of Foreign Currency Exposure to all currencies other than New Zealand dollars.
- ‘Aggregate Interest Rate Exposure’ means the aggregate amount of Interest Rate Exposure to all currencies.
- ‘Aggregate Market Risk Exposure’ means exposure to all, or any, of Aggregate Equity Exposure, Aggregate Foreign Currency Exposure and Aggregate Interest Rate Exposure.
- ‘Asset Acquired Through the Enforcement of Security’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Balance Date’ means the last day of an Accounting Period or Interim Accounting Period.
- ‘Bank’ means a Registered Bank or an Overseas Bank.
- ‘Banking Group’ means the Financial Reporting Group but where the Reserve Bank has, by notice in writing to the Registered Bank, after consultation with the Registered Bank, agreed to or required the inclusion or exclusion of any entity or any part of any entity, means the Financial Reporting Group including or excluding that entity or that part of that entity, as the case may be.
- ‘Capital’ in relation to an Overseas Bank or Overseas Banking Group, means the amount of capital held by the Overseas Bank or Overseas Banking Group, determined in accordance with the requirements of the authority having the power to impose minimum capital requirements on that Overseas Bank or Overseas Banking Group in its country of domicile.
- ‘Commodity Instrument’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Company’ has the same meaning as in section 2 of the Companies Act 1993, and includes an overseas company within the meaning of section 2 of the Companies Act 1993.
- ‘Conditions of Registration’ in relation to a Registered Bank means the conditions of registration imposed on that Registered Bank by the Reserve Bank pursuant to section 74 of the Act.
- ‘Connected Person’ has the same meaning as in the Conditions of Registration.
- ‘Counterparty’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Credit Exposure’ means the amount of the maximum loss that a party to a contract could incur as a result of the Counterparty to that contract failing to discharge its obligations, without taking into account the value of collateral, guarantees, indemnities, other support arrangements, and any potential recoveries, where the maximum loss in relation to:
- (a) a market related contract means the credit equivalent amount of the contract determined in accordance with the Reserve Bank document entitled “Capital Adequacy Framework” (BS2) as amended from time to time;
- (b) any other contract means the full value of the contract;
- provided that, for the purposes of this definition, a Financial Liability and a Financial Asset may be offset if to do so would accord with generally accepted accounting practice as defined in the Financial Reporting Act 1993.
- ‘Credit Risk’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Currency Risk’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Debt Security’, in relation to a Registered Bank, means any interest in or right to be paid money that is, or is to be, deposited with, lent to, or otherwise owing by, that Registered Bank (whether or not the interest or right is secured by a charge over any property).
- ‘Director’ means a person occupying the position of director of the Overseas Bank by whatever name called who whether by himself or herself, or in conjunction with other directors acting as a board of directors, has the powers necessary for managing, and for directing and supervising the management of, the business and affairs of the Overseas Bank.
- ‘Direct Banking Account’ means a bank account held at a branch that is not normally physically accessible by the customers of that branch.
- ‘Disclosure Statement’, in relation to a Registered Bank, means a document Published by that Registered Bank in terms of the Registered Bank Disclosure Statement (Full and Half-Year—Overseas Incorporated Registered Banks) Order 1998.
- ‘Equity’ has the same meaning as in the Institute of Chartered Accountants of New Zealand Statement of Concepts for General Purpose Financial Reporting.
- ‘Equity Exposure’ means the amount of the change in the economic value of equity instruments that are Financial Assets and Financial Liabilities of the Banking Group in a single currency, which would occur as a result of a change in the price of equity instruments in that currency.
- ‘Equity Risk’ means the risk arising from changes in the prices of equity instruments.
- ‘Fair Value’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Financial Asset’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Financial Instrument’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Financial Liability’ has the same meaning as in FRS-33, as amended from time to time.
- ‘Financial Reporting Group’ means the New Zealand Business of all the members of the group (as that term is defined in section 2(1) of the Financial Reporting Act 1993) that comprises a reporting entity that is the Overseas Bank and its subsidiaries, prepared as if the members of the group were companies formed and registered in New Zealand.
- ‘First Quarter Accounting Period’ means the first three month period of an Accounting Period.
- ‘Foreign Currency Exposure’ means the amount of the change in the economic value of the Financial Assets and Financial Liabilities of the Banking Group in a single foreign currency which would occur as a result of a change in the rate of exchange applicable to that foreign currency.
- ‘General Provision’ has the same meaning as in FRS-33, as amended from time to time.
- ‘General Short Form Disclosure Statement’ means that part of a Short Form Disclosure Statement which contains the information prescribed in Part III and Part IV of this Order.

- 'Group of Closely Related Counterparties' has the same meaning as in FRS-33, as amended from time to time.
- 'Immediate Relative', in relation to any person, means their spouse or any person who lives with that person as their spouse, whether or not married, and any parent, brother, sister or child, in each case whether or not adoptive, of that person or of their spouse or person who lives with that person as their spouse.
- 'Impaired Asset' means a Non-Accrual Asset, a Restructured Asset, or an Asset Acquired Through the Enforcement of Security.
- 'Interest Rate Exposure' means the amount of the change in the economic value of the Financial Assets (excluding equity instruments) and Financial Liabilities (excluding equity instruments) of the Banking Group in a single currency which would occur as a result of a change in interest rates in that currency.
- 'Interest Rate Repricing Date', as that term applies to a Financial Instrument or to a proportion of a Financial Instrument, means the earlier of the date on which, in accordance with the terms of the Financial Instrument:
- the interest rate reset date next occurs (being the date on which the rate of interest payable in respect of the Financial Instrument can or will alter); or
 - the principal sum is due and payable or, where no principal sum is due and payable, the maturity date occurs.
- 'Interest Rate Risk' has the same meaning as in FRS-33, as amended from time to time.
- 'Interim Accounting Period' means the first six month period of an Accounting Period.
- 'Investment Security' has the same meaning as in FRS-33, as amended from time to time.
- 'Issuer' has the same meaning as in the Financial Reporting Act 1993.
- 'Key Information Summary' means that part of a Disclosure Statement which contains the information prescribed in Part II of this Order.
- 'Market Risk Exposure' means exposure to any, or all, of Equity Exposure, Foreign Currency Exposure and Interest Rate Exposure.
- 'Material' has the meaning given to it by generally accepted accounting practice, or, where generally accepted accounting practice does not apply, means a statement, fact, or item which is of such a nature or amount that its inclusion or omission, or the method of treating its disclosure, would be likely to influence a reasonable user of the Short Form Disclosure Statement.
- 'New Zealand Business' means all business, operations, or undertakings conducted in or from New Zealand.
- 'Non-Accrual Asset' means any Credit Exposure for which it is probable that the Registered Bank or a member of the Banking Group will not be able to collect all amounts owing in accordance with the terms of the contract with the Counterparty.
- 'Non-Bank Connected Person' has the same meaning as in the Conditions of Registration.
- 'OECD Government' means the central government of any of the countries specified in the list of OECD countries contained in Appendix One to the Reserve Bank document entitled "Capital Adequacy Framework" (BS2), as amended from time to time.
- 'Off Quarter Balance Date' means the last day of a First Quarter Accounting Period or Third Quarter Accounting Period.
- 'Other Asset Acquired Through the Enforcement of Security' has the same meaning as in FRS-33, as amended from time to time.
- 'Other Security' has the same meaning as in FRS-33, as amended from time to time.
- 'Overseas Bank' means a financial institution incorporated outside New Zealand which has been authorised, registered, or licensed as a bank in its country of domicile by the appropriate banking supervisory authority and, unless the context otherwise requires, is the bank of which the Registered Bank is the New Zealand branch.
- 'Overseas Banking Group' means an Overseas Bank and all other entities included in the group for the purposes of public reporting of group financial statements in the country of domicile of the Overseas Bank.
- 'Past Due Asset' means any Credit Exposure which has not been operated by the Counterparty within its key terms for at least 90 days and which is not an Impaired Asset.
- 'Premises' means any staffed premises of the Registered Bank or an agency of the Registered Bank to which the Registered Bank's customers or potential customers have access in order to conduct banking business.
- 'Publication Date', in respect of a Short Form Disclosure Statement, means the date the Short Form Disclosure Statement is Published in accordance with clause 3 of this Order.
- 'Publish' includes distribute, make available and disseminate.
- 'Rate Insensitive Retail Assets' means that amount of the Financial Assets held by the Banking Group which the Registered Bank reasonably believes is unlikely to be diminished or increased as a result of a Material change in market interest rates if the interest rate applicable to that Financial Asset (which may be zero) does not change or does not change Materially.
- 'Rate Insensitive Retail Liabilities' means that amount of the Financial Liabilities held by the Banking Group which the Registered Bank reasonably believes is unlikely to be diminished or increased as a result of a Material change in market interest rates if the interest rate applicable to that Financial Liability (which may be zero) does not change or does not change Materially.
- 'Rate Insensitive Retail Product' means either or both of a Rate Insensitive Retail Asset or a Rate Insensitive Retail Liability.
- 'Real Estate Asset Acquired Through the Enforcement of Security' has the same meaning as in FRS-33, as amended from time to time.
- 'Register' means the register of Registered Banks maintained pursuant to section 69 of the Act.
- 'Registered Bank' means the New Zealand Business of the entity which is entered on the Register, as if that entity's business were conducted by a company formed and registered in New Zealand.
- 'Relevant Interest' has the same meaning as in sections 5 and 6 of the Securities Amendment Act 1988.
- 'Responsible Person' means a person authorised in writing by a Director to sign the Disclosure Statement in accordance with section 82 of the Act.
- 'Restructured Asset' means any Credit Exposure which is not a Non-Accrual Asset and for which:
- the original terms have been changed to grant the Counterparty a concession that would not otherwise have been available, due to the Counterparty's difficulties in complying with the original terms;

(b) the revised terms of the facility are not comparable with the terms of new facilities with comparable risks; and

(c) the yield on the asset following restructuring is equal to, or greater than, the average cost of funds of the Registered Bank or a member of the Banking Group, or that a loss is not otherwise expected to be incurred.

'Short Form Disclosure Statement', in relation to a Registered Bank, means a document Published by that Registered Bank under sections 81 or 83 of the Act which shall comprise a General Short Form Disclosure Statement, Key Information Summary and Supplemental Disclosure Statement.

'Specific Provision' has the same meaning as in FRS-33, as amended from time to time.

'Subsidiary' means a subsidiary within the meaning of sections 5 to 8 of the Companies Act 1993.

'Substantial Security Holder' means a person who has a Relevant Interest in 5 percent or more of the Voting Securities of which the Registered Bank is the issuer.

'Supplemental Disclosure Statement' means that part of a Short Form Disclosure Statement which contains the information prescribed in Part V of this Order.

'Third Quarter Accounting Period' means:

(a) the first nine month period of an Accounting Period; and

(b) where an Accounting Period will be 15 months, the first 12 month period of an Accounting Period.

'Tier One Capital' in relation to an Overseas Bank or Overseas Banking Group, means the amount of tier one capital held by the Overseas Bank or Overseas Banking Group determined in accordance with the requirements of the authority having the power to impose minimum Capital requirements on that Overseas Bank or Overseas Banking Group in its country of domicile.

'Ultimate Holding Company' means the body corporate which is the Registered Bank's holding company (as that term is defined in section 5 of the Companies Act 1993) and which is not itself a Subsidiary of another body corporate and which is not a Bank.

'Ultimate Parent Bank' means any Bank which is the Registered Bank's holding company (as that term is defined in section 5 of the Companies Act 1993) and which is not itself a Subsidiary of another Bank.

'Voting Security' has the same meaning as in section 2 of the Securities Amendment Act 1988.

'Working Day' means a day of the week on which the Registered Bank's head office is open for business.

3. Form, Frequency and Distribution of Short Form Disclosure Statement—(1) Subject to the Act, every Registered Bank shall Publish, after each Off Quarter Balance Date, a Short Form Disclosure Statement which shall:

(a) contain the information that is prescribed in Part II to Part V of this Order; and

(b) comply with the Act.

(2) The Short Form Disclosure Statement shall be Published:

(a) not later than two months after each Off Quarter Balance Date;

(b) where the Registered Bank has not previously Published a Disclosure Statement in terms of the Registered Bank Disclosure Statement (Full and Half-Year—Overseas Incorporated Registered Banks)

Order 1998, not later than three months after each Off Quarter Balance Date; or

(c) where a General Short Form Disclosure Statement is subject to review or audit by an external auditor, and provided that the extent of review or audit is not less than that which is required in respect of a Disclosure Statement in terms of the Registered Bank Disclosure Statement (Full and Half-Year—Overseas Incorporated Registered Banks) Order 1998, not later than three months after each Off Quarter Balance Date.

(3) Short Form Disclosure Statements shall be Published in the following manner:

(a) every Registered Bank shall prominently display the Registered Bank's most recent Key Information Summary at the Registered Bank's head office, every branch of the Registered Bank, every other Premises of the Registered Bank, and every Premises of an agency of the Registered Bank primarily engaged in the business of the Registered Bank;

(b) every Registered Bank shall provide to any person a copy of its most recent Key Information Summary immediately upon request and at no charge;

(c) where a Registered Bank publishes information on an internet web site which includes any information directed primarily at its New Zealand customers or potential customers, the Registered Bank shall make available or display a copy of its most recent Key Information Summary on that internet web site;

(d) every Registered Bank shall notify each of its customers holding a Direct Banking Account of the availability of its most recent Key Information Summary, as soon as is practicable after the publication of that Key Information Summary, and shall state that the Key Information Summary is available immediately upon request and at no charge;

(e) every Registered Bank shall provide a copy of its most recent General Short Form Disclosure Statement at no charge, immediately to any person requesting a copy where the request is made at the Registered Bank's head office and within five Working Days where the request is made at any branch of the Registered Bank, any other Premises of the Registered Bank, or any Premises of an agency of the Registered Bank primarily engaged in the business of the Registered Bank;

(f) every Registered Bank shall provide a copy of its most recent Supplemental Disclosure Statement, or such part of it as is requested, at no charge, immediately to any person requesting a copy where the request is made at the Registered Bank's head office and within five Working Days where the request is made at any branch of the Registered Bank, any other Premises of the Registered Bank, or any Premises of an agency of the Registered Bank primarily engaged in the business of the Registered Bank, unless the content of a Supplemental Disclosure Statement is included in the General Short Form Disclosure Statement; and

(g) every Registered Bank shall deliver a copy of its most recent Short Form Disclosure Statement to the Reserve Bank on the Publication Date.

4. General Provisions Relating to Content of Short Form Disclosure Statement—

(1) (a) In addition to the information which is required by this Order, a Short Form Disclosure Statement:

(i) shall contain such other information as in the opinion of the Directors it is necessary or desirable to include so as to ensure that any information contained in the Short Form Disclosure Statement is

not false or misleading in any Material particular; and

(ii) subject to any express provision to the contrary in this Order, may contain such other information as the Directors consider appropriate.

(b) A Short Form Disclosure Statement shall not contain any offer (within the meaning of that term as defined in section 2 of the Securities Act 1978) of any Debt Securities, but may contain information required for the purposes of regulation 21(2) and regulation 22(d) of the Securities Regulations 1983.

(2) Subject to the Act and this clause, nothing in this Order shall limit the provisions of any other enactment.

(3) Where this Order requires or permits a Short Form Disclosure Statement to incorporate information about any person, business or group in respect of a stated period, that information need not relate to any part of that period for which the person, business, group or any part thereof did not exist. Where the Short Form Disclosure Statement contains information in respect of a period that is less than the stated period, it shall identify the period in respect of which the information is provided.

(4) The Short Form Disclosure Statement shall not state or imply that a person is, or intends to become, a shareholder of the Overseas Bank, or of a member of the Overseas Banking Group, without also stating whether that person guarantees any of the obligations of the Registered Bank or any member of the Banking Group.

(5) Subject to subclause (7) of this clause, where a Registered Bank is unable because of systems limitations or because of circumstances beyond its control to disclose information which the Registered Bank would, pursuant to this Order, be required to disclose, the Short Form Disclosure Statement shall:

(a) state that fact, and an explanation of the circumstances; and

(b) contain information which is the closest available alternative to that required to be disclosed pursuant to this Order.

(6) The comparative information required to be disclosed by this Order or by the requirements of the Financial Reporting Act 1993 for the previous corresponding period shall be restated so that it corresponds to the information presented for the current period. Where there has been a Material restatement of prior period amounts, the nature of, and the reason for, the restatement shall be disclosed.

(7) A Registered Bank need not disclose comparative information where this information is not readily available, provided that comparative information shall be deemed to be readily available 12 months after the date at which such information was first required to be Published.

(8) A Registered Bank shall disclose the currency used where financial statements, or information drawn from financial statements, are disclosed in a currency other than New Zealand dollars.

(9) Other than in the case of copies of guarantee contracts, all information disclosed in accordance with this Order shall be disclosed in English.

Part II

Key Information Summary

5. Content of Key Information Summary—(1) Subject to subclause (2) of this clause, the Key Information Summary shall contain, in the same order and under the same headings, the information required to be disclosed pursuant to subclause (6) of this clause, as at the Registered Bank's Off Quarter Balance Date or for the First Quarter Accounting Period or Third Quarter Accounting Period, as the case may be, unless otherwise stated.

(2) If a Key Information Summary would be false or misleading as a result of stating the information required to be disclosed pursuant to subclause (6) of this clause, information and explanations that will make the Key Information Summary not false or misleading shall also be stated under the relevant heading.

(3) Where applicable, the information contained in the Key Information Summary shall be taken from the information contained in the General Short Form Disclosure Statement.

(4) The Key Information Summary may contain additional information, to which the information stated pursuant to subclause (6) of this clause may refer by way of note, provided that such information is set out after the information required to be disclosed pursuant to subclause (6) of this clause.

(5) The information required to be disclosed pursuant to subclause (6)(d) to (h) of this clause shall include comparative figures for the previous corresponding period.

(6) The Key Information Summary shall contain:

(a) Introductory information—

the following statement:

“The purpose of this Key Information Summary is to provide customers and potential customers with information about the financial condition of their bank.

Neither the New Zealand Government nor the Reserve Bank of New Zealand guarantees or insures bank deposits.

The information contained in the Key Information Summary is explained in the Reserve Bank publication “Your Bank's Disclosure Statement—What's In It For You?”, which can be obtained from the Reserve Bank.” (or at the option of the Registered Bank, “. . . from the Reserve Bank and the (name of bank)”).

(b) Corporate information—

(i) the name of the Overseas Bank and its country of domicile;

(ii) if applicable, the name of any person that is the Ultimate Parent Bank of the Overseas Bank and its country of domicile;

(iii) if applicable, the name of any person that is the Ultimate Holding Company of the Overseas Bank and its country of domicile;

(b) Credit rating—

(i) a statement as to whether the Overseas Bank has a credit rating applicable to its long term senior unsecured obligations payable in New Zealand, in New Zealand dollars; and

(ii) if so, with respect to each such rating:

(A) the name of the person who gave the credit rating;

(B) the current rating and all qualifications to that rating;

(C) any changes made to the rating in the two years preceding the Off Quarter Balance Date and the date on which any such change occurred;

(c) Profitability—

(i) net profit or loss after tax and extraordinary items in respect of:

(A) the Overseas Banking Group for the most recent period for which the information is publicly available; and

(B) the Banking Group over the First Quarter Accounting Period or Third Quarter Accounting Period,

and a description of the period to which this information applies;

- (ii) net profit or loss after tax and extraordinary items over the previous 12 month period, expressed as a percentage of the average of total assets, in respect of:
 - (A) the Overseas Banking Group and the balance date of the most recent period for which the information is publicly available; and
 - (B) the Banking Group and the Off Quarter Balance Date of the First Quarter Accounting Period or Third Quarter Accounting Period;

(e) Size—

- (i) total assets of the Overseas Banking Group as at the most recent date for which the information is publicly available and the percentage change in total assets over the 12 months ending on that date;
- (ii) total assets of the Banking Group and the percentage change in total assets over the 12 months ending on the current Off Quarter Balance Date;

(f) Capital adequacy—

the most recent publicly available information on the capital adequacy of the Overseas Bank and Overseas Banking Group, disclosing:

- (i) Tier One Capital expressed as a percentage of risk weighted exposures and the minimum percentage of this ratio required by the appropriate banking supervisory authority in the Overseas Bank's country of domicile;
- (ii) Capital expressed as a percentage of risk weighted exposures and the minimum percentage of this ratio required by the appropriate banking supervisory authority in the Overseas Bank's country of domicile;

(g) Asset quality—

- (i) total Impaired Assets (before provisions and net of interest held in suspense);
 - (ii) total Impaired Assets expressed as a percentage of total assets;
 - (iii) total Specific Provisions;
 - (iv) total Specific Provisions expressed as a percentage of total Impaired Assets;
- in respect of:
- (v) the Overseas Banking Group as at the most recent date for which the information is publicly available; and
 - (vi) the Banking Group;

(h) Peak Credit Exposure concentrations—

For the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period:

- (i) the number of individual non Bank Counterparties or Groups of Closely Related Counterparties of which a Bank is not the parent; and
- (ii) the number of individual Bank Counterparties or Groups of Closely Related Counterparties of which a Bank is the parent;

to which the Banking Group has a peak aggregate Credit Exposure which equals or exceeds 10% of the Overseas Banking Group's Equity, in successive ranges of 10% of the Overseas Banking Group's Equity.

This information shall be disclosed using the methodology set out in Schedule 5 of this Order. A Registered Bank shall state that this information excludes exposures to any OECD Government.

(i) Ranking of local creditors in a winding-up—

whether there are any Material legislative or regulatory restrictions in the Overseas Bank's country of incorporation which subordinate the claims of any class of unsecured creditors of the Registered Bank on the assets of the Overseas Bank to those of any other class of unsecured creditors of the Overseas Bank, in a winding up of that Overseas Bank. If so, the Key Information Summary shall also state:

- (i) the legislation or regulations involved and a summary of the nature of the impairment of the rights of creditors of the Registered Bank which they create; and
 - (ii) the nature and amount of each Class of the Registered Bank's liabilities which are so affected;
- (ia) Where the Registered Bank is required by any statute to hold in New Zealand an excess of assets over deposit liabilities, the Key Information Summary shall state the name of the statute and contain a description of the requirement and a statement as to whether, since the commencement of the Accounting Period, the Registered Bank has at all times complied with that requirement;

(j) Financial statements of the Overseas Bank and Overseas Banking Group—

a statement that a copy of the most recent publicly available financial statements of the Overseas Bank and Overseas Banking Group are contained in the Registered Bank's Supplemental Disclosure Statement or General Disclosure Statement (state which), copies of which (or of that part of which, as applicable) will be provided at no charge to any person requesting a copy in the manner described in paragraph (k) of this subclause; and

(k) Availability of Disclosure Statements—

A statement:

- (i) that copies of the Registered Bank's most recent General Disclosure Statement and Supplemental Disclosure Statement will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office;
- (ii) specifying the categories of places where copies of the Registered Bank's most recent General Disclosure Statement and Supplemental Disclosure Statement will be provided at no charge to any person within 5 Working Days of a request for a copy having been made.

Part III

General Disclosures to be Contained in General Short Form Disclosure Statement

6. General Matters—(1) In respect of the Registered Bank, the General Short Form Disclosure Statement shall state its name and Address for Service.

(2) In respect of the Overseas Bank, the General Short Form Disclosure Statement shall state:

- (a) its name and the address of its principal office, or place of business, outside New Zealand;
- (b) the statute or other authority under or pursuant to which it was incorporated or established; and
- (c) the date of its incorporation or establishment.

(3) Where applicable, the General Short Form Disclosure Statement shall state:

- (a) the name and Address for Service of the Ultimate Parent Bank of the Overseas Bank;
- (b) the name and Address for Service of the Ultimate Holding Company of the Overseas Bank; and
- (c) a summary of any regulations, legislation or other

restrictions of a legally enforceable nature which may materially inhibit the legal ability of the bodies corporate referred to in paragraphs (a) and (b) of this subclause, to provide Material financial support to the Registered Bank.

(4) The General Short Form Disclosure Statement shall state whether there are any Material legislative or regulatory restrictions in the Overseas Bank's country of incorporation which subordinate the claims of any class of unsecured creditors of the Registered Bank on the assets of the Overseas Bank to those of any other class of unsecured creditors of the Overseas Bank, in a winding up of that Overseas Bank. If so, the General Short Form Disclosure Statement shall also state:

- (a) the legislation or regulations involved and the nature of the impairment of the rights of creditors of the Registered Bank which they create; and
- (b) the nature and amount of each Class of the Registered Bank's liabilities which are so affected.

(5) Where the Registered Bank is required by any statute to hold in New Zealand an excess of assets over deposit liabilities, the General Short Form Disclosure Statement shall state the name of the statute and contain a description of the requirement and a statement as to whether, since the commencement of the Accounting Period, the Registered Bank has at all times complied with that requirement.

7. Guarantee Arrangements—(1) The General Short Form Disclosure Statement shall state whether the Material obligations of the Overseas Bank are guaranteed.

(2) Where a person guarantees any Material obligations of the Overseas Bank, and where subclause (3) of this clause does not apply, the General Short Form Disclosure Statement shall state:

- (a) the name and Address for Service of the guarantor;
- (b) whether the guarantor is a member of the Banking Group or Overseas Banking Group;
- (c) the nature of the obligations which are guaranteed, including a description sufficient to identify them;
- (d) whether there are any limits on the amount of the obligations guaranteed and, if so, a brief summary of the nature of those limits;
- (e) whether there are any Material conditions applicable to the guarantee other than non-performance by the principal obligor and, if so, a brief summary of those conditions;
- (f) whether there are any Material legislative or regulatory restrictions in the guarantor's country of incorporation which would have the effect of subordinating the claims under the guarantee of any of the creditors of the Overseas Bank on the assets of the guarantor, to other claims on the guarantor, in a winding up of that guarantor. If so, the General Short Form Disclosure Statement shall also state:

- (i) the legislation or regulations involved and the nature of the impairment of the rights of the creditors which they create;
- (ii) the amount of the liabilities which are so affected;
- (g) (i) the amount of the net tangible assets of the guarantor as shown in the most recent publicly available audited financial statements, together with any qualifications in the auditor's report on those financial statements that reflect on the statement of those assets in the financial statements; or
- (ii) where the guarantor is a Bank, the most recent publicly disclosed Capital of the guarantor and the guarantor group, expressed as an amount and as a percentage of risk weighted exposures, and the date to which that measure of Capital relates;

(h) the information required to be disclosed pursuant to clause 9 of this Order as though the reference to an Overseas Bank were a reference to the guarantor, the reference to New Zealand were a reference to the country of incorporation of the guarantor and the reference to New Zealand dollars were a reference to the currency of the country of incorporation of the guarantor; and

- (i) (i) that a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contract, will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office;
- (ii) the categories of places where a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contract, will be provided at no charge to any person within 5 Working Days of a request for a copy having been made;

unless the content of the Supplemental Disclosure Statement is contained in the General Short Form Disclosure Statement.

(3) Where a person or persons have entered into any Material cross guaranteeing arrangements with the Overseas Bank, the General Short Form Disclosure Statement shall:

- (a) describe the guaranteeing group and the nature of the cross-guaranteeing arrangements;
- (b) state the information required to be disclosed pursuant to clauses 7(2)(d) to (f) as if those clauses applied to the guarantees of the obligations of the Overseas Bank, as well as to the guarantees the Overseas Bank has given in respect of the first mentioned person's or persons' obligations;
- (c) if there is a single contract which sets out the rights and obligations of all the cross guarantors; or if there is a standard contract which is representative of the rights and obligations of each of the cross guarantors, a statement:
- (i) that a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contract, will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office;
- (ii) specifying the categories of places where a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the full guarantee contract, will be provided at no charge to any person within 5 Working Days of a request for a copy having been made;

unless the content of the Supplemental Disclosure Statement is contained in the General Short Form Disclosure Statement.

8. Conditions of Registration—The General Short Form Disclosure Statement shall either:

- (a) state that a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the Conditions of Registration applicable as at the date of the Short Form Disclosure Statement, will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office; and
- (b) specify the categories of places where a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the Conditions of Registration applicable as at the date of the Short Form Disclosure Statement, will be provided

at no charge to any person within 5 Working Days of a request for a copy having been made; or

- (c) contain a copy of the Conditions of Registration applicable as at the date of the Short Form Disclosure Statement.

9. Credit Ratings—(1) The General Short Form Disclosure Statement shall state whether the Overseas Bank has a credit rating applicable to its long term senior unsecured obligations payable in New Zealand, in New Zealand dollars.

(2) For each credit rating required to be disclosed pursuant to subclause (1) of this clause the General Short Form Disclosure Statement shall state:

- (a) the name of the person who gave the credit rating;
 (b) the current rating and all qualifications to that rating;
 (c) any changes made to the rating in the two years preceding the Off Quarter Balance Date and the date on which any such change occurred; and
 (d) descriptions or explanations of all the steps in the applicable rating scales.

Part IV

Financial and Supplementary Disclosures to be Contained in General Short Form Disclosure Statement

10. Content of Financial and Supplementary Disclosures—The General Short Form Disclosure Statement shall contain short form financial statements and supplementary information for the Banking Group which include, where Material, the information prescribed by the Schedules to this Order.

11. Auditor's Report—Where the General Short Form Disclosure Statement has been subject to audit or review by an external auditor, the General Short Form Disclosure Statement shall state the nature and scope of that audit or review and contain a copy of the auditor's report.

12. The Directors' Statement—The General Short Form Disclosure Statement shall contain:

(1) a statement by the Directors as to whether each Director believes, after due enquiry, that:

- (a) the Short Form Disclosure Statement contains all the information that is required by this Order;
 (b) the Short Form Disclosure Statement is not false or misleading;

as at the date on which the Short Form Disclosure Statement is signed; and

(2) a statement by the Directors as to whether each Director believes, after due enquiry, that:

- (a) the Registered Bank has complied with the Conditions of Registration; and
 (b) the Registered Bank had systems in place to monitor and control adequately the Banking Group's Material risks, including Credit Risk, concentration of Credit Risk, Interest Rate Risk, Currency Risk, Equity Risk, liquidity risk and other business risks, and that those systems were being properly applied;

over the First Quarter Accounting Period or Third Quarter Accounting Period.

13. Financial Statements of the Overseas Bank and Overseas Banking Group—The General Short Form Disclosure Statement shall contain a statement:

(1) that a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the most recent publicly available financial statements of the Overseas Bank and Overseas Banking Group, will be provided immediately at no charge to any person requesting a copy where the request is made at the Registered Bank's head office;

(2) specifying the categories of places where a copy of the Registered Bank's most recent Supplemental Disclosure Statement, which contains a copy of the most recent publicly available financial statements of the Overseas Bank and Overseas Banking Group, will be provided at no charge to any person within 5 Working Days of a request for a copy having been made;

unless the content of the Supplemental Disclosure Statement is contained in the General Short Form Disclosure Statement.

Part V

Supplemental Disclosure Statement

14. General Matters—(1) Subject to subclause (2) of this clause, the Supplemental Disclosure Statement shall state only the information specified in clauses 15, 16 and 17 of this Order.

(2) If a Supplemental Disclosure Statement would be false or misleading as a result of stating the information specified in subclause (1) of this clause, information and explanations that will make the Supplemental Disclosure Statement not false or misleading shall also be stated.

15. Guarantors—(1) Where a General Short Form Disclosure Statement states that a person guarantees any Material obligations of the Overseas Bank, and subclause (2) of this clause does not apply, the Supplemental Disclosure Statement shall contain a copy of the full guarantee contract and the most recent financial statements and group financial statements of the guarantor, together with a copy of the audit report (if any) relating to those statements, unless this information is already contained within the General Short Form Disclosure Statement.

(2) Where a General Short Form Disclosure Statement states that a person or persons have entered into any Material cross guaranteeing arrangements with the Overseas Bank, the Supplemental Disclosure Statement shall contain a copy of the full guarantee contract if:

- (a) there is a single contract which sets out the rights and obligations of all the cross guarantors; or
 (b) there is a standard contract which is representative of the rights and obligations of each of the cross guarantors;

unless this information is already contained within the General Short Form Disclosure Statement.

16. Conditions of Registration—The Supplemental Disclosure Statement shall contain a copy of the Conditions of Registration which are applicable as at the date of the Short Form Disclosure Statement, unless this information is already contained within the General Short Form Disclosure Statement.

17. Financial Statements of the Overseas Bank and Overseas Banking Group—The Supplemental Disclosure Statement shall contain a copy of the most recent publicly available financial statements of the Overseas Bank and Overseas Banking Group, unless this information is already contained within the General Short Form Disclosure Statement.

MARIE SHROFF, Clerk of the Executive Council.

First Schedule

Short Form Financial Statements

1. The information required to be disclosed pursuant to clause 3 of this Schedule shall include comparative figures for the previous corresponding period.

2. The General Short Form Disclosure Statement shall contain a statement as to whether there have been any changes in accounting policies in the three months prior to the Off Quarter Balance Date, and, if so, a summary of those changes.

3. The General Short Form Disclosure Statement shall contain the following financial information for the Banking Group, in such format as the Registered Bank determines, for the First Quarter Accounting Period or Third Quarter Accounting Period, or as at the Off Quarter Balance Date, as the case may be.

FINANCIAL PERFORMANCE

1. Interest revenue
2. Interest expense
3. **Net interest income**
4. Net trading gains/losses
5. Other operating revenue
6. Other operating expenses
7. Impaired asset expense
8. **Operating profit/(loss) before tax**
9. Taxation expense/(credit)
10. **Operating profit/(loss) after tax**
11. Income from associates accounted for on the basis of the equity method (net of tax)
12. Minority interests
13. **Net profit/(loss) after tax**
14. Extraordinary items (and nature thereof)
15. **Net profit/(loss) after tax and extraordinary items**
16. Amount of branch profits repatriated
17. Other adjustments to current period's net profit/(loss)
18. **Retained profit/(loss)**

FINANCIAL POSITION

ASSETS

1. Cash and demand balances with central banks
2. Balances with other financial institutions which may be withdrawn without prior notice
3. Other securities eligible for refinancing by central banks
4. Other securities held for liquidity and other purposes
5. Equity investment securities
6. Other investment securities
7. Bills accepted but not held in a portfolio (if recognised)
8. Loans, advances and lease finance

RISK WEIGHTED EXPOSURES

(1) Calculation of Balance Sheet Exposures

	Principal Amount	Risk Weight	Risk Weighted Exposure
Cash and short term claims on Government		0%	
Long term claims on Government		10%	
Claims on banks		20%	
Claims on public sector entities		20%	
Residential mortgages		50%	
Other		100%	
Total assets			

(2) Calculation of Off-Balance Sheet Exposures

	Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Average Counterparty Risk Weight	Risk Weighted Exposure
Direct credit substitutes		100%			
Asset sales with recourse		100%			
Commitments with certain drawdown		100%			
Underwriting and sub-underwriting facilities		50%			
Transaction related contingent items		50%			
Short term, self liquidating trade related contingencies		20%			
Other commitments to provide financial services which have an original maturity of 1 year or more		50%			
Other commitments with an original maturity of less than 1 year or which can be unconditionally cancelled at any time		0%			
Market related contracts ¹		NA			
(a) Foreign exchange contracts					
(b) Interest rate contracts					
(c) Other					
Total off-balance sheet exposures					
Risk Weighted Exposures					

(NOTE: Each of the above categories of assets shall be shown net of Specific Provisions)

9. Deferred tax asset
10. Intangible assets
11. Fixed assets
12. Other assets
13. **Total assets**

LIABILITIES AND HEAD OFFICE ACCOUNT

14. Head office account
15. Balances of reserve accounts
 - (a) Revaluation reserves
 - (b) Other capital reserves
 - (c) Other revenue reserves
- Sub-total
16. Balance of retained earnings
17. Minority interest
18. Term and/or perpetual subordinated debt
19. Deposits and other borrowings
20. Deferred tax liability
21. Other liabilities
22. **Total liabilities**
23. General provision
24. Total interest earning and discount bearing assets
25. Total interest and discount bearing liabilities
26. Where assets presented in the statement of financial position have been used to secure any obligations, the nature and amount of those assets
27. The nature and amount of any assets not legally owned but presented in the statement of financial position

Second Schedule

The Size and Nature of Business of the Banking Group

The General Short Form Disclosure Statement shall contain the information specified below, in such format as the Registered Bank determines, derived in accordance with the Reserve Bank document entitled "Capital Adequacy Framework" (BS2) as amended from time to time, in respect of the Banking Group as at the Off Quarter Balance Date.

(2) Calculation of Off-Balance Sheet Exposures

Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Average Counterparty Risk Weight	Risk Weighted Exposure
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¹ Specify whether the current exposure or original exposure method was used to calculate the credit equivalent amount on these contracts.

Third Schedule**Capital Adequacy of the Overseas Bank and Overseas Banking Group**

1. The information required to be disclosed pursuant to clause 2 of this Schedule shall include comparative figures for the previous corresponding period, where that information is publicly available.

2. The General Short Form Disclosure Statement shall contain the most recent publicly available information specified in respect of the capital adequacy ratios of the Overseas Bank and the Overseas Banking Group:

- (a) Tier One Capital expressed as a percentage of risk weighted exposures;
- (b) Capital expressed as a percentage of risk weighted exposures; and
- (c) the date to which the measures of Tier One Capital and Capital relate.

Fourth Schedule**Asset Quality**

1. The information required to be disclosed pursuant to clause 2(a) of this Schedule shall include comparative figures for the previous corresponding period.

2. The General Short Form Disclosure Statement shall contain, in respect of the Banking Group as at the Off Quarter Balance Date, the following information:

- (a) in respect of each of the following Classes of assets:
 - (i) Non-Accrual Assets;
 - (ii) Restructured Assets;
 - (iii) Real Estate Assets Acquired Through the Enforcement of Security;
 - (iv) Other Assets Acquired Through the Enforcement of Security; and
 - (v) Past Due Assets;
 the following information:
 - (vi) the aggregate amount which has been recognised; and
 - (vii) the aggregate amount which has not been recognised;
 before deducting provisions for expected loss or provisions for diminution in asset value; and
 - (viii) the aggregate amount of Specific Provisions or provisions for diminution in asset value;
 - (ix) the aggregate amount of General Provisions (if any);

(b) information on movements in the balances of total Specific Provisions or provisions for diminution in asset value over the First Quarter Accounting Period or Third Quarter Accounting Period, for each of the Classes of assets set out in subparagraphs (i) to (v) of clause 2(a) of this Schedule, separately disclosing, where Material:

- (i) opening balance;
- (ii) charge (credit) to the statement of financial performance for increase/decrease in Specific Provisions or provisions for diminution in asset value;
- (iii) amounts written-off;
- (iv) write-downs of Assets Acquired Through the Enforcement of Security;

(v) recoveries of provisions and write-offs charged in previous periods;

(vi) other movements, and the nature thereof;

(vii) closing balance;

with movements reconciled to the charges allocated to the statement of financial performance; and

(c) information on movements in the balance of the General Provision over the First Quarter Accounting Period or Third Quarter Accounting Period, separately disclosing, where Material:

(i) opening balance;

(ii) charge (credit) to the statement of financial performance for increase/decrease in the General Provision;

(iii) other movements, and the nature thereof;

(iv) closing balance;

with movements reconciled to the charges allocated to the statement of financial performance.

Fifth Schedule**Concentration of Credit Exposures to Individual Counterparties**

1. For the purposes of this Schedule, Credit Exposure information shall be disclosed either on the basis of:

(a) actual Credit Exposures; or

(b) internal limits, provided that those limits were not Materially exceeded during the First Quarter Accounting Period or the Third Quarter Accounting Period.

The General Short Form Disclosure Statement shall state the method used.

2. For the purposes of this Schedule:

(a) the information disclosed shall include comparative figures for the previous corresponding period;

(b) Credit Exposure information shall:

(i) relate only to exposures held in the financial records of the Banking Group;

(ii) be calculated net of Specific Provisions; and

(iii) exclude Credit Exposures to any OECD Government.

3. For the purposes of this Schedule, the Overseas Banking Group's Equity shall be either that group's Equity determined as at the Off Quarter Balance Date, or the most recently publicly disclosed amount. Where the Overseas Banking Group's Equity is not determined as at the Off Quarter Balance Date, the General Short Form Disclosure Statement shall state the date to which the measure of Equity relates.

4. The General Short Form Disclosure Statement shall disclose:

(a) the number of individual Bank Counterparties (not being members of a Group of Closely Related Counterparties) and Groups of Closely Related Counterparties of which a Bank is the parent; and

(b) the number of individual non Bank Counterparties (not being members of a Group of Closely Related Counterparties) and Groups of Closely Related Counterparties of which a Bank is not the parent;

to whom the Banking Group has an aggregate Credit Exposure which equals or exceeds 10% of the Overseas Banking Group's Equity;

- (i) as at the Off Quarter Balance Date; and
 - (ii) in respect of peak end-of-day aggregate Credit Exposures for the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period;
- in successive ranges of 10% of Equity, commencing at 10% of Equity.

5. For the purposes of this Schedule, peak end-of-day aggregate Credit Exposure to each individual Counterparty or a Group of Closely Related Counterparties for the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period shall be derived by determining the maximum end-of-day aggregate amount of Credit Exposure over the quarter, and then dividing that amount by:

- (a) the Overseas Banking Group's Equity as at the end of the quarter; or
- (b) the Overseas Banking Group's Equity at the date the maximum end-of-day aggregate amount of Credit Exposure occurred.

A Registered Bank shall state in the General Short Form Disclosure Statement which of the methods it has used to derive peak ratio information.

Sixth Schedule

Risk Management Policies

1. Where there has been a Material change in the three months prior to the Off Quarter Balance Date in the Banking Group's policies for managing any of the following risks:

- (a) Credit Risk, including concentrations of Credit Risk, intra-day Credit Risk, Credit Risk to Bank Counterparties and related party Credit Risk;
- (b) Currency Risk;
- (c) Interest Rate Risk;
- (d) Equity Risk;
- (e) liquidity risk;
- (f) any other Material business risk to which the Banking Group is exposed;

the General Short Form Disclosure Statement shall contain a statement of the nature of those changes.

2. If, in the three months prior to the Off Quarter Balance Date, the Banking Group has become exposed to a new category of risk specified in clause 1 of this Schedule to which the Banking Group was not previously exposed, the General Short Form Disclosure Statement shall contain a general description of:

- (a) the nature of that risk and the activities of the Banking Group which give rise to that risk;
- (b) the methods used to identify and monitor exposure to that risk, including the frequency with which exposures are monitored; and
- (c) the systems and procedures for controlling that risk, including, where applicable, whether exposure limits are employed, any policies with respect to collateral or other security, and any policies on the use of Financial Instruments to mitigate or hedge risks.

Seventh Schedule

Exposures to Market Risk

1(1) A Registered Bank shall disclose the amount of Aggregate Market Risk Exposures of the Banking Group in respect of each category of Aggregate Market Risk Exposure on the basis of:

- (a) Aggregate Market Risk Exposures derived in accordance with Schedule 8 of this Order; or
- (b) the Banking Group's internal operating limits

applicable to the relevant category of Aggregate Market Risk Exposure, but only if the Aggregate Market Risk Exposure in that category has not Materially exceeded those limits at any time during the First Quarter Accounting Period or the Third Quarter Accounting Period.

(2) The General Short Form Disclosure Statement shall state which of the above methods is used, and where the method used is that set out in clause 1(1)(a) of this Schedule, shall also state which of the methods described in clauses 1, 8 and 11 of the Eighth Schedule (for deriving Aggregate Interest Rate Exposure, Aggregate Foreign Currency Exposure and Aggregate Equity Exposure respectively) is used.

(3) Where, in respect of a category of Aggregate Market Risk Exposure, a Registered Bank uses different methods to derive Aggregate Market Risk Exposure in that category as at the Off Quarter Balance Date, and in respect of peak end-of-day exposure since the commencement of the Accounting Period, the Registered Bank shall identify, in relation to each of the disclosures made pursuant to this Schedule, the method used.

2. The information required to be disclosed pursuant to clause 4 of this Schedule shall include comparative figures for the previous corresponding period.

3. For the purposes of this Schedule, the Overseas Banking Group's Equity shall be either that group's Equity determined as at the Off Quarter Balance Date, or the most recently publicly disclosed amount. Where the Overseas Banking Group's Equity is not determined as at the Off Quarter Balance Date, the General Short Form Disclosure Statement shall state the date to which the measure of Equity relates.

4. The General Short Form Disclosure Statement shall disclose, in respect of the Banking Group:

- (a) Aggregate Interest Rate Exposure;
- (b) Aggregate Foreign Currency Exposure; and
- (c) Aggregate Equity Exposure;

expressed both as an amount and as a percentage of the Overseas Banking Group's Equity:

- (i) as at the Off Quarter Balance Date; and
- (ii) in respect of peak end-of-day exposure for the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period.

5. For the purposes of this Schedule, peak end-of-day exposure to each category of Aggregate Market Risk Exposure for the First Quarter Accounting Period or the most recent quarter of the Third Quarter Accounting Period shall be derived by determining the maximum end-of-day Aggregate Market Risk Exposure over the quarter, and then dividing that amount by:

- (a) the Overseas Banking Group's Equity as at the end of the quarter; or
- (b) the Overseas Banking Group's Equity at the date the maximum end-of-day Aggregate Market Risk Exposure occurred.

A Registered Bank shall state in the General Short Form Disclosure Statement which of these methods it has used to derive peak ratio information.

Eighth Schedule

Measurement of Market Risk Exposure

Aggregate Interest Rate Exposure

1. The Registered Bank shall derive the amount of Aggregate Interest Rate Exposure of the Banking Group in accordance with either:

- (a) clauses 2 to 7 of this Schedule; or

(b) any other method, but only if the Aggregate Interest Rate Exposure derived in accordance with that method is not, in the opinion of the Registered Bank (such opinion to be based on reasonable grounds), materially lower than the amount derived pursuant to clause 1(a) of this Schedule.

2. Interest Rate Exposure in a Single Currency—Interest Rate Exposure in a single currency is the total of:

- (a) the directional interest rate risk;
 - (b) the vertical disallowance; and
 - (c) the horizontal disallowance;
- in that currency.

3. Exposure to Directional Interest Rate Risk in a Single Currency—(1) The amount of directional interest rate risk in a single currency shall be derived by subtracting the aggregate amount of the change in the value of each Financial Liability (excluding equity instruments) of the Banking Group arising from a directional change in interest rates in that currency from the aggregate amount of the change in the value of each Financial Asset (excluding equity instruments) of the Banking Group, arising from a directional change in interest rates in that currency.

(2) The value of a Financial Instrument is:

- (a) in the case of an unrecognised Financial Instrument and a recognised Financial Instrument which is a market related contract, the face or contract amount of the Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate; and
- (b) in the case of other Financial Instruments, the carrying amount of the Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate.

(3) The change in the value of a Financial Instrument is derived by multiplying the value, or proportion of the value, of the Financial Instrument allocated to the applicable time band specified in Table 1, in accordance with clause 3(4), by the risk weight specified for that time band in Table 1.

Table 1: Time Bands, Risk Weights, and Assumed Interest Rate Changes

Assumed Interest Rate Change(%) Risk weights (%)	Time Bands							
	up to 1 mth	1-6 mths	6-12 mths	1-2 yrs	2-4 yrs	4-6 yrs	6-10 yrs	Over 10 yrs
	1.0	1.0	1.0	0.9	0.8	0.7	0.6	0.6
	0	0.3	0.7	1.3	2.0	3.0	3.5	4.4

(4) Subject to clauses 3(5) and 3(6) of this Schedule, the value of each Financial Instrument, or a proportion of it, shall be allocated to the time band specified in Table 1 in a manner which the Registered Bank believes, on reasonable grounds, reflects the date on which the interest rate applicable to the Financial Instrument, or proportion of the Financial Instrument, will be altered, or the date at which the principal, or a proportion of the principal, will be paid, notwithstanding the Interest Rate Repricing Date of the Financial Instrument.

(5) Notwithstanding clause 3(4) of this Schedule:

- (a) a Registered Bank may exclude from the application of clause 3(4) of this Schedule the value, or the appropriate proportion of the value, of those Financial Instruments which meet the netting criteria contained in clause 4; and
- (b) the aggregate value, or the appropriate proportion of the aggregate value, of all Rate Insensitive Retail Assets and of all Rate Insensitive Retail Liabilities shall be allocated to the time bands specified in Table 2 in accordance with the percentages set out in Table 2.

Table 2: Allocation of the value of Rate Insensitive Retail Products across time bands

Percentage of aggregate value	Time Bands					
	up to 1 mth	1-6 mths	6-12 mths	1-2 yrs	2-4 yrs	4-6 yrs
	5%	5%	10%	20%	40%	20%

(6) A Registered Bank may exclude the value of options and, instead, use its own methodology to determine the Interest Rate Exposure in any currency arising from options and add the amount so derived to the total Interest Rate Exposure in that currency.

4. Netting Criteria—A Registered Bank may exclude the value of Financial Instruments in respect of which it has matched positions which meet any one of the following criteria:

- (a) the matched position comprises the same Financial Instruments with the same issuer, coupon, currency and maturity; or
- (b) (i) with respect to matched positions comprising futures, the underlying Financial Instruments to which the futures relate must:
 - (A) be for the same product;
 - (B) have the same value or notional value;
 - (C) be denominated in the same currency; and
 - (D) mature within seven days of each other; or
- (ii) with respect to matched positions comprising swaps (including separate legs of different swaps) or FRAs, the underlying Financial Instruments to which the swaps or FRAs relate must:
 - (A) be for the same product;
 - (B) have the same value or notional value;
 - (C) be denominated in the same currency;
 - (D) have reference rates (for floating rate positions) which are identical;
 - (E) have coupon rates which are identical or which do not differ by more than 15 basis points; and
 - (F) have the time to run before the next Interest Rate Repricing Date within the following limits:

Earliest Repricing Date	Limits
Less than one month hence:	same day
Between one month and one year hence:	within seven days
More than one year hence:	within thirty days;
or	

- (iii) with respect to matched positions comprising forwards, the underlying Financial Instruments to which the forwards relate must:
 - (A) be for the same product;
 - (B) have the same value or notional value;
 - (C) be denominated in the same currency; and
 - (D) have the time to run before the next Interest Rate Repricing Date within the following limits:

Earliest Repricing Date	Limits
Less than one month hence:	same day
Between one month and one year hence:	within seven days
More than one year hence:	within thirty days.

5. The Amount of Vertical Disallowance in a Single Currency—(1) The amount of vertical disallowance in a single currency is the sum of the vertical disallowances calculated in accordance with clause 5(2) for each of the time bands specified in Table 1 of this Schedule.

(2) The amount of vertical disallowance in a time band shall be calculated as follows:

- (a) derive the risk weighted matched position in the time band (which is either the lesser of the sum of the absolute values of the Financial Assets and the sum of the absolute values of the Financial Liabilities in that time band, or, if those sums are equal, that sum, multiplied by the risk weight for that time band);
- (b) derive the risk weighted value of the Rate Insensitive Retail Products in that time band (which is the sum of the absolute values of the Rate Insensitive Retail Assets and Rate Insensitive Retail Liabilities in that time band multiplied by the risk weight for that time band);
- (c) if the risk weighted matched position is less than or equal to the risk weighted value of the Rate Insensitive Retail Products in a time band, then the vertical disallowance amount for that time band is the risk weighted matched position multiplied by 20%;
- (d) if the risk weighted matched position is greater than the risk weighted value of the Rate Insensitive Retail Products in a time band, then the vertical disallowance amount for that time band is:
- the risk weighted value of the Rate Insensitive Retail Products multiplied by 20%; plus
 - the difference between the risk weighted matched position and the risk weighted value of the Rate Insensitive Retail Products, multiplied by 5%.

(3) The vertical disallowance in a currency shall have the same sign (positive or negative) as the directional risk calculated for that currency.

6. The Amount of Horizontal Disallowance in a Single Currency—(1) The amount of horizontal disallowance in a single currency shall be calculated in accordance with clauses 6(2) to 6(6).

(2) Allocate the time bands specified in Table 1 of this Schedule to the three time zones specified in Table 3:

Time Bands	Time Zones
up to 1 month	Zone 1
1-6 months	
6-12 months	
1-2 years	Zone 2
2-4 years	
4-6 years	Zone 3
6-10 years	
over 10 years	

(3) Calculate the amount of the intra-zone disallowance in each time zone as follows:

- derive the risk weighted net position in each time band (which is the amount of the risk weighted Financial Assets less the amount of the risk weighted Financial Liabilities in that time band). If the risk weighted net position in a time band is positive, this is a risk weighted long position and if it is negative, this is a risk weighted short position;
- derive the aggregate risk weighted long position in each time zone (which is the sum of any risk weighted long positions in the time bands in that time zone) and the aggregate risk weighted short position in each time zone (which is the sum of any risk weighted short positions in the time bands in that time zone);
- derive the matched position in each time zone (which is either the lesser of the absolute value of the aggregate risk weighted long position and the absolute value of the aggregate risk weighted short position in that time zone, or, if the absolute values of those positions are equal, that absolute value), if any;
- the amount of intra-zone disallowance in a time zone is the value of the matched position in that time zone multiplied by the disallowance factor for that time zone specified in Table 4. If there is no matched

position in a time zone, the amount of the intra-zone disallowance in that time zone is zero.

Time Zones	Disallowance Factors
Zone 1	40%
Zone 2	30%
Zone 3	30%

(4) Calculate the amount of the inter-zone disallowances as follows:

- inter-zone disallowances are derived in the following order: time zones 1 and 2, 2 and 3, and 1 and 3. The inter-zone disallowance factors which must be used to derive the inter-zone disallowance amounts are specified in Table 5;

Time Zones	Disallowance Factors
Zones 1 and 2	40%
Zones 2 and 3	40%
Zones 1 and 3	100%

- derive the residual position in each time zone (which is the net amount of the aggregate risk weighted long position and the aggregate risk weighted short position). If the residual position is positive this is a residual long position and if it is negative this is a residual short position;
- there is a matched position between time zones 1 and 2 if there is a residual long position in one time zone and a residual short position in the other. The matched position is either the smaller of the absolute value of the residual long position and the absolute value of the residual short position, or, if the absolute values of those positions are equal, that absolute value. If there is no matched position, the amount of horizontal disallowance is zero. If there is a matched position, then the amount of horizontal disallowance between time zones 1 and 2 is the value of the matched position multiplied by the disallowance factor for time zones 1 and 2 specified in Table 5;
- derive the net residual position in time zone 2, by taking the difference between the absolute value of the residual position in time zone 2 and the matched position between time zones 1 and 2, and allocating to that amount, if any, the sign of the residual position in time zone 2. If the net residual position in time zone 2 is positive this is a net residual long position and if it is negative this is a net residual short position;
- there is a matched position between time zones 2 and 3 if there is a net residual long position in time zone 2 and a residual short position in time zone 3 or a net residual short position in time zone 2 and a residual long position in time zone 3. The matched position is either the smaller of the absolute value of those residual positions, or, if the absolute values of those positions are equal, that absolute value. If there is no matched position, the amount of the horizontal disallowance is zero. If there is a matched position then the amount of horizontal disallowance between time zones 2 and 3 is the value of the matched position multiplied by the disallowance factor for time zones 2 and 3 specified in Table 5;
- derive the net residual position in time zone 1 and in time zone 3:
 - in time zone 1, by taking the difference between the absolute value of the residual position in time zone 1 and the matched position between time zones 1 and 2, and allocating to that amount, if any, the sign of the residual position in time zone 1;
 - in time zone 3, by taking the difference between the absolute value of the residual position in time zone 3 and the matched position between time

zones 2 and 3, and allocating to that amount, if any, the sign of the residual position in time zone 3,

(if the net residual position in a time zone is positive this is a net residual long position and if it is negative this is a net residual short position);

- (g) there is a matched position between time zones 1 and 3 if there is a net residual long position in one time zone and a net residual short position in the other. The matched position is either the smaller of the absolute value of the net residual long position and the absolute value of the net residual short position, or, if the absolute values of those positions are equal, that absolute value. If there is no matched position, the amount of horizontal disallowance is zero. If there is a matched position then the amount of horizontal disallowance between time zones 1 and 3 is the value of the matched position multiplied by the disallowance factor for time zones 1 and 3 specified in Table 5.

(5) The amount of the horizontal disallowance in a single currency is the aggregate of the amounts of intra-zone disallowances and inter-zone disallowances in that currency.

(6) The horizontal disallowance in a currency shall have the same sign (positive or negative) as the directional risk calculated for that currency.

7. Aggregate Interest Rate Exposure For All Currencies—A Banking Group's Aggregate Interest Rate Exposure is the greater of the absolute value of the sum of any positive Interest Rate Exposures and the absolute value of the sum of any negative Interest Rate Exposures.

Aggregate Foreign Currency Exposure

8. The Registered Bank shall derive the amount of Aggregate Foreign Currency Exposure in accordance with either:

- (a) clauses 9 and 10 of this Schedule; or
 (b) any other method, but only if the Aggregate Foreign Currency Exposure derived in accordance with that method is not, in the opinion of the Registered Bank (such opinion to be based on reasonable grounds), Materially lower than the amount derived pursuant to clause 8(a) of this Schedule.

9. Foreign Currency Exposure in a Single Foreign Currency—(1) Subject to clauses 9(2) and 9(4) of this Schedule, a Banking Group's Foreign Currency Exposure in a single foreign currency is derived by:

- (a) subtracting the aggregate amount of the value of Financial Liabilities (whether recognised or unrecognised) of the Banking Group in that foreign currency from the aggregate amount of the value of the Financial Assets (whether recognised or unrecognised) of the Banking Group in that foreign currency; and

(b) multiplying the amount derived in clause 9 (a) of this Schedule by 0.08.

(2) Subject to clause 9(3), the value of a Financial Instrument is either:

- (a) (i) in the case of an unrecognised Financial Instrument and a recognised Financial Instrument which is a market related contract, the face or contract amount of the Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate; and

(ii) in the case of other Financial Instruments, the carrying amount of the Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate; or

(b) the present value of that Financial Instrument expressed in New Zealand dollars using the relevant spot exchange rate.

(3) Notwithstanding clause 9(2) of this Schedule, the value of options in a single foreign currency shall be either the delta equivalent value, or a value derived using the Registered Bank's own method for valuing the open position arising from options in that foreign currency.

(4) For the purposes of clause 9(1) of this Schedule, Financial Instruments which have been issued by associates of the Registered Bank or which have been included in the Capital of the Overseas Banking Group shall not be included in the calculation of the Banking Group's Foreign Currency Exposure.

10. Aggregate Foreign Currency Exposure—A Banking Group's Aggregate Foreign Currency Exposure is the absolute value of the greater of the sum of any positive Foreign Currency Exposures and the sum of any negative Foreign Currency Exposures.

Aggregate Equity Exposure

11. The Registered Bank shall derive the amount of its Aggregate Equity Exposure in accordance with either:

- (a) clauses 12 and 13 of this Schedule; or
 (b) any other method, but only if the Aggregate Equity Exposure derived in accordance with that method is not, in the opinion of the Registered Bank (such opinion to be based on reasonable grounds), Materially lower than the amount derived pursuant to clause 11(a) of this Schedule.

12. Equity Exposure in a single currency—(1) Subject to clauses 12(2) and 12(3) of this Schedule a Banking Group's Equity Exposure in a single currency is derived by:

- (a) subtracting the aggregate amount of the value of all of the equity instruments (whether recognised or unrecognised) of the Banking Group in that currency that are Financial Liabilities from the aggregate amount of the value of all the equity instruments (whether recognised or unrecognised) of the Banking Group in that currency that are Financial Assets; and

(b) multiplying the amount derived in clause 12(a) of this Schedule by 0.08.

(2) Notwithstanding clause 12(1) of this Schedule, the value of equity instruments issued by associates of the Registered Bank shall not be included in the calculation of the Banking Group's Equity Exposure.

(3) Subject to clause 12(4) of this Schedule, the value of an equity instrument is:

- (a) in the case of an unrecognised equity instrument and a recognised equity instrument which is a market related contract, the face or contract amount of the equity instrument expressed in New Zealand dollars using the relevant spot exchange rate; and

(b) in the case of other equity instruments, the carrying amount of the equity instrument expressed in New Zealand dollars using the relevant spot exchange rate.

(4) Notwithstanding clause 12(3) of this Schedule, the value of:

- (a) a net equity futures position is the marked-to-market value of the notional underlying equity position; and
 (b) a net equity option position is the delta equivalent value.

13. Aggregate Equity Exposure—The Banking Group's Aggregate Equity Exposure is the sum of the absolute values of the Equity Exposures in each currency.

Explanatory Note

This note is not part of the Order in Council, but is intended to indicate its general effect.

This Order in Council is promulgated pursuant to section 81(1) of the Reserve Bank of New Zealand Act 1989 and applies to a registered bank which is incorporated in a country other than New Zealand, and which operates in New Zealand as a branch of the overseas bank, in respect of each such bank's "off quarters" (i.e., the first and third quarters of the bank's financial year).

The Order in Council is one of four which replace four original Orders promulgated in 1995, and amended in 1996. The 1995 Orders provided for a public disclosure regime for registered banks, and replaced prospectus requirements imposed under the Securities Act 1978 on registered banks in respect of their offers of debt securities to the public.

More specifically, this Order in Council replaces the Registered Bank Disclosure Statement (Off-Quarter—Overseas Incorporated Registered Banks) Order 1995 and the Registered Bank Disclosure Statement (Off-Quarter—Overseas Incorporated Registered Banks) Amendment Order 1996, and comes into force on 1 October 1998.

This Order integrates the disclosure requirements of the 1995 Order and its 1996 amendment, and aligns and cross-references them to the reporting requirements of the accounting standard FRS-33: Disclosure of Information by Financial Institutions (FRS-33 was approved by the Accounting Standards Review Board in April 1997, and came into effect for accounting periods beginning on 1 April 1997). It also revises the disclosure requirements of the previous Orders in the light of the experience gained with the disclosure regime for registered banks since its commencement in 1996.

A description of the principal provisions of the revised disclosure regime is given below.

Under the disclosure regime, all registered banks are required to issue a public disclosure statement each quarter. The disclosure statement required to be published pursuant to this Order in Council comprises a Key Information Summary, a General Short Form Disclosure Statement and, if applicable, a Supplemental Disclosure Statement.

The Key Information Summary provides a brief summary of key financial information on the registered bank and banking group, and must be made available free of charge immediately upon request. The Key Information Summary must also be displayed prominently in each bank branch and in any other customer-accessible bank premises, and made available or displayed on a bank's internet website.

The General Short Form Disclosure Statement is required to contain a range of financial and corporate information on the bank and its banking group. The General Short Form Disclosure Statement need not be displayed in each bank branch, but must be made available free of charge, immediately if the request is made at a bank's head office, or within five working days if the request is made at a bank branch or at any customer-accessible bank premises other than the head office. The information required to be included in a General Short Form Disclosure Statement includes:

- a a statement as to whether the bank has a credit rating, and if so, a disclosure of that rating;
- b short form financial statements for the banking group, including details on asset quality;
- c information, both as at the end of the off quarter and in respect of peak for the most recent quarter of the accounting period, on the banking group's exposure concentrations to individual counterparties and groups of closely related counterparties;

- d market risk information, both as at the end of the off quarter and in respect of peak for the most recent quarter of the accounting period, on the banking group's interest rate exposure, foreign currency exposure and equity exposure. A bank is required to disclose its exposure to each of these categories of market risk, both as an amount and as a percentage of the overseas banking group's equity;
- e descriptions of the banking group's policies and systems for managing risks in respect of a new category of risk not previously incurred by the banking group;
- f statements signed by the directors of the bank, including an attestation as to whether the directors are satisfied that the banking group's internal controls are adequate for managing the group's material business risks and whether the controls have been properly applied over the reporting period, and a statement that the disclosure statement is not false or misleading.

A registered bank is required to calculate market risk exposures using either the method specified in the Order, or a different method provided that such method does not give a result which would be materially lower than that arrived at by the method specified in the Order.

The General Short Form Disclosure Statement required by this Order in Council is an abbreviated version of the General Disclosure Statement required by the Registered Bank Disclosure Statement (Full and Half-Year—Overseas Incorporated Registered Banks) Order 1998.

Each bank must also publish a Supplemental Disclosure Statement, unless the information it would include is contained in the General Short Form Disclosure Statement. The Supplemental Disclosure Statement must be made available free of charge, immediately if the request is made at a bank's head office, or within five working days if the request is made at a bank branch or at any customer-accessible bank premises other than the head office. This Order in Council requires the following information to be contained in a Supplemental Disclosure Statement:

- a the conditions of registration imposed by the Reserve Bank on the registered bank pursuant to section 74 of the Reserve Bank of New Zealand Act;
- b the contract of guarantee and financial statements of any guarantor, where the material obligations of the overseas bank are guaranteed;
- c where the overseas bank has entered into any material cross guaranteeing arrangements, a copy of the full guarantee contract if there is a contract which sets out, or is representative of, the rights and obligations of all the cross guarantors.
- d the most recent publicly available financial statements of the overseas bank and overseas banking group of which the registered bank is part.

A bank has two months from its off-quarter balance date to publish the disclosure statements required by this Order in Council. The exceptions to this are:

- a where a bank elects to have its General Short Form Disclosure Statement audited by an external auditor; or
- b where a bank has not previously published a disclosure statement under the new disclosure arrangements;

in which case the bank has three months to publish its disclosure statement.

The disclosure statements published pursuant to this Order in Council are not required to be audited nor to be subject to a limited review by an external auditor.

The disclosure statements required by this Order in Council must be signed by all the directors of the bank. A director may authorise in writing another person to sign on his or her behalf.

The Reserve Bank of New Zealand Act provides for criminal and civil penalties where a bank's disclosure statement is found to be false or misleading.

This Order in Council is administered in the Reserve Bank of New Zealand.

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