

ASB Capital No. 2 Limited Annual Report.

For the year ended 30 June 2013.

Annual Report

For the year ended 30 June 2013

The Directors of ASB Capital No. 2 Limited are pleased to announce an audited Net Profit after Taxation of \$8,790,006 for the year ended 30 June 2013 (30 June 2012 \$9,466,931).

On 15 May 2013 the dividend rate on the Perpetual Preference Shares for the period 15 May 2013 to 15 May 2014 was reset to 3.68% per annum including imputation credits payable quarterly in arrears. The rate to 15 May 2013 was 3.46% per annum including imputation credits.

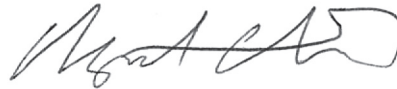
Perpetual Preference Dividends paid during the year including imputation credits were:

Date Paid	Record Date	Cents per share
15 August 2012	1 August 2012	0.8650
15 November 2012	5 November 2012	0.8650
15 February 2013	5 February 2013	0.8650
15 May 2013	6 May 2013	0.8650

The Directors have declared a gross dividend of 0.9200 cents per share including imputation credits. The cash dividend of 0.6624 cents per share will be paid on 15 August 2013 to holders of Perpetual Preference Shares on the register at 5.00pm on 5 August 2013. A supplementary dividend to be calculated after 5 August 2013 will be paid at the same time on Perpetual Preference Shares held by non-residents.



J E Raby
Chairman
17 July 2013



N C Annett
Director

Directory

Directors

J E Raby (Chairman)
B J Chapman
K C McDonald
N C Annett

Registered Office

ASB North Wharf
12 Jellicoe Street
Auckland Central
Auckland 1010
New Zealand
Telephone: +64 9 377 8930
Facsimile: +64 9 358 3511

Auditor

PricewaterhouseCoopers
Chartered Accountants
PricewaterhouseCoopers Tower
188 Quay Street
Auckland 1142
New Zealand
Telephone: +64 9 355 8000
Facsimile: +64 9 355 8001

Share Registrar

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
159 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

Managing Your Shareholding Online

To change your address, update your payment instructions and to view your investment portfolio including transactions, please visit: www.computershare.co.nz/investorcentre

General enquiries can be directed to:

> enquiry@computershare.co.nz Telephone: +64 9 488 8777
> Private Bag 92119, Auckland 1142 Facsimile: +64 9 488 8787

Please assist our registrar by quoting your CSN or shareholder number.

Independent Auditor's Report



Independent Auditor's Report

to the shareholders of ASB Capital No. 2 Limited

Report on the Financial Statements

We have audited the financial statements of ASB Capital No.2 Limited on pages 3 to 11 which comprise the balance sheet as at 30 June 2013, the statement of comprehensive income and the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, ASB Capital No. 2 Limited.

Opinion

In our opinion, the financial statements on pages 3 to 11:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Company as at 30 June 2013, and its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2013:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

Chartered Accountants
17 July 2013

Auckland

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
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Statement of Comprehensive Income

\$ thousands For the year ended 30 June	Note	2013	2012
Interest Income	7	12,217	13,156
Total Operating Income		12,217	13,156
Operating Expenses	7	9	7
Total Operating Expenses		9	7
Net Profit before Taxation		12,208	13,149
Taxation	2	3,418	3,682
Net Profit after Taxation		8,790	9,467
Total Comprehensive Income		8,790	9,467

Statement of Changes in Equity

\$ thousands	Contributed Capital – Ordinary Shares	Contributed Capital – Preference Shares	Retained Earnings	Total Shareholders' Equity
Year ended 30 June 2013				
Balance at Beginning of Year	1	350,000	1,114	351,115
Perpetual Preference Dividends	-	-	(8,719)	(8,719)
Total Comprehensive Income	-	-	8,790	8,790
Balance as at 30 June 2013	1	350,000	1,185	351,186
Year ended 30 June 2012				
Balance at Beginning of Year	1	350,000	1,189	351,190
Perpetual Preference Dividends	-	-	(9,542)	(9,542)
Total Comprehensive Income	-	-	9,467	9,467
Balance as at 30 June 2012	1	350,000	1,114	351,115

These statements are to be read in conjunction with the notes on pages 6 to 11 and the Independent Auditor's Report on page 2.

Balance Sheet

\$ thousands

As at 30 June

	Note	2013	2012
Assets			
Cash and Cash Equivalents	7	685	752
Interest Receivable from Related Parties	7	1,645	1,547
Advance to Related Parties	7	350,000	350,000
Total Assets		352,330	352,299
Financed by:			
Liabilities			
Other Amounts due to Related Parties	7	3	1
Other Liabilities	9	13	11
Current Taxation Liability		1,128	1,172
Total Liabilities		1,144	1,184
Shareholders' Equity			
Contributed Capital – Ordinary Shares	3	1	1
Contributed Capital – Preference Shares	3	350,000	350,000
Retained Earnings	4	1,185	1,114
Total Shareholders' Equity		351,186	351,115
Total Liabilities and Shareholders' Equity		352,330	352,299

For, and on behalf of, the Board of Directors, who authorised the issue of these financial statements on 17 July 2013.



J E Raby
Chairman



N C Annett
Director

Cash Flow Statement

\$ thousands

For the year ended 30 June

	Note	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Interest Received		12,119	13,308
Cash was applied to:			
Net Taxation Paid		(3,462)	(4,005)
Operating Expenses		(7)	(17)
Net Cash Flows from Operating Activities	5	<u>8,650</u>	<u>9,286</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Cash Flows from Investing Activities		<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was applied to:			
Dividends Paid		(8,717)	(9,544)
Net Cash Flows from Financing Activities		<u>(8,717)</u>	<u>(9,544)</u>
SUMMARY OF MOVEMENTS IN CASH FLOWS			
Net Decrease in Cash and Cash Equivalents		(67)	(258)
Add: Cash and Cash Equivalents at Beginning of Year		752	1,010
Cash and Cash Equivalents at End of Year	7	<u>685</u>	<u>752</u>

These statements are to be read in conjunction with the notes on pages 6 to 11 and the Independent Auditor's Report on page 2.

Notes to the Financial Statements

For the year ended 30 June 2013

1. STATEMENT OF ACCOUNTING POLICIES

The reporting entity, ASB Capital No. 2 Limited (the "Company") is a subsidiary of CBA Funding (NZ) Limited, incorporated in New Zealand, and ultimately owned by the Commonwealth Bank of Australia ("CBA"). ASB Capital No. 2 Limited is a finance company and has issued Perpetual Preference Shares to the New Zealand market.

ASB Capital No. 2 Limited Perpetual Preference Shares are listed on the New Zealand Stock Exchange ("NZX") under the code: ASBPB.

Statement of Compliance and Basis of Preparation

The Company's financial statements have been completed in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993, and have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards.

The following new standards relevant to the Company have been issued. The Company does not intend to apply these standards until their effective dates.

- > NZ IFRS 9 *Financial Instruments* replaces part of NZ IAS 39 *Financial Instruments: Recognition and Measurement* and will be mandatory for the Company's financial statements for the year beginning 1 July 2015. It establishes two primary measurement categories for financial assets: amortised cost and fair value, with classification depending on an entity's business model and the contractual cash flow characteristics of the financial asset. The Company is in the process of evaluating the potential effect of this standard.
- > NZ IFRS 13 *Fair Value Measurement* establishes a single source of guidance for determining the fair value of assets and liabilities and will be mandatory for the Company's financial statements for the year beginning 1 July 2013. The standard does not change when the Company is required to use fair value, but rather, provides guidance on how to determine fair value under NZ IFRS. It also expands the disclosure requirements for all assets or liabilities carried at fair value. The impact on the financial statements is not expected to be material.

The measurement base adopted is that of historical cost.

No material accounting estimates or assumptions were made in the preparation of these financial statements, except as noted in Note 1(d).

Certain comparatives have been restated to conform to the current year's presentation.

Presentation Currency and Rounding

The functional and presentation currency of the Company is New Zealand dollars. The amounts contained in this report and the financial statements are presented in thousands of New Zealand dollars ("NZD"), unless otherwise stated.

Changes in Accounting Policies

There have been no changes to accounting policies during the year ended 30 June 2013. All policies have been applied on a basis consistent with that used in the year ended 30 June 2012.

Notes to the Financial Statements

For the year ended 30 June 2013

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Particular Accounting Policies

- a) Revenue Recognition
Interest income is recognised using the effective interest rate method.
- b) Expense Recognition
Expenses are recognised on an accrual basis.
- c) Cash and Cash Equivalents
Cash and Cash Equivalents include cash on hand and bank current accounts that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. They are brought to account at their face value and interest is taken to the Statement of Comprehensive Income when earned. The carrying amount of Cash and Cash Equivalents reasonably approximates fair value.
- d) Advances to Related Parties
Advances are classified as loans and receivables and are recognised in the Balance Sheet initially at fair value and subsequently at amortised cost. The fair value of the advance to ASB Funding Limited is estimated using the current market price of the Perpetual Preference Shares as this is inherently linked to the advance (refer to Notes 7 and 17 for further details of the terms and conditions of the advance). As at 30 June 2013 the fair value was estimated as \$260,855,000 being the amount of the advance multiplied by the price of the Perpetual Preference Shares quoted on the NZX (30 June 2012 \$204,953,342).
- e) Interest Receivable
Interest Receivable is recognised in the Balance Sheet initially at fair value and subsequently at amortised cost. The carrying value is a reasonable estimate of its fair value.
- f) Other Liabilities and Other Amounts due to Related Parties
Other Liabilities and Other Amounts due to Related Parties are recognised in the Balance Sheet initially at fair value and subsequently at amortised cost. The carrying value is a reasonable estimate of their fair value.
- g) Taxation
Current taxation is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted as at balance date, after taking advantage of all allowable deductions under the current taxation legislation, and also includes any adjustment to tax payable in respect of previous years.
- h) Cash Flow Statement
The Cash Flow Statement has been prepared using the direct method.
- i) Segment Reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Company's Board of Directors.

Notes to the Financial Statements

For the year ended 30 June 2013

\$ thousands For the year ended 30 June	2013	2012
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2. TAXATION

Net Profit before Taxation	12,208	13,149
Current Taxation at the Domestic Rate of 28%	3,418	3,682
Taxation Expense	3,418	3,682

On 28 January 2009 the holders of the Company's Perpetual Preference Shares resolved to amend the Company's constitution to enable the Company to become, and remain, a listed Portfolio Investment Entity ("listed PIE", previously referred to as Portfolio Listed Company) under the Portfolio Investment Entity ("PIE") regime in the Income Tax Act 2007. The advantage of a listed PIE is that for individual New Zealand resident investors and trustee investors in the 33% tax bracket, dividends are taxed at a lower effective tax rate of 28%.

3. CONTRIBUTED CAPITAL

Issued and Fully Paid

Ordinary Shares

Balance at Beginning of Year (1,000 Shares)	1	1
Balance at End of Year (1,000 Shares)	1	1

Perpetual Preference Shares

Balance at Beginning of Year (350,000,000 Shares)	350,000	350,000
Balance at End of Year (350,000,000 Shares)	350,000	350,000

All Ordinary Shares have equal voting rights but do not entitle their holders to any dividends or other distributions or any right to share in the surplus assets of the Company on winding up.

The Perpetual Preference Shares have no fixed term, are non-redeemable and carry limited voting rights. Dividends are paid quarterly in arrears on 15 February, 15 May, 15 August and 15 November, or the business day thereafter, if the Directors determine that the Company will satisfy the Companies Act 1993 solvency test, and have no other reason not to pay the dividend. Dividends are non-cumulative.

The dividend rate on the Perpetual Preference Shares is reset on 15 May (or, if this is not a business day, the next business day) each year, with the new rate applying for the 12 month period following that date. The new rate will be the interest rate as at 15 May (or the next business day) for New Zealand dollar denominated swaps with a term of 1 year, plus a margin of 1.0%, adjusted to a quarterly equivalent rate. The new rate will be inclusive of imputation credits attached.

The Company considers Contributed Capital and Retained Earnings to be capital for management purposes.

4. RETAINED EARNINGS

Balance at Beginning of Year	1,114	1,189
Total Comprehensive Income	8,790	9,467
Non-cumulative Perpetual Preference Dividends	(8,719)	(9,542)
Balance at End of Year	1,185	1,114

Dividends per Perpetual Preference Share inclusive of imputation credits for the year ended 30 June 2013 were 3.4600 cents per share (30 June 2012 3.8000 cents per share).

Notes to the Financial Statements

For the year ended 30 June 2013

\$ thousands For the year ended 30 June	2013	2012
5. RECONCILIATION OF NET PROFIT AFTER TAXATION TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit after Taxation	8,790	9,467
Movements in Balance Sheet Items:		
Interest Receivable Accrued – (Increase) / Decrease	(98)	152
Taxation Balances – Decrease	(44)	(323)
Other Amounts due to Related Parties – Increase / (Decrease)	2	(10)
	(140)	(181)
Net Cash Flows from Operating Activities	8,650	9,286

6. IMPUTATION CREDIT ACCOUNT ("ICA")

Dividends paid by the Company may include imputation credits representing the New Zealand tax already paid by the Company on profits. New Zealand resident shareholders may claim a tax credit to the value of the imputation credits attached to dividends.

The amount of imputation credits available as at 30 June 2013 is \$468k (30 June 2012 \$439k). This figure includes the imputation credits that will arise from the payment of the amount of the provision for income tax, imputation credits that will arise from the receipt of dividends recognised as receivables as at balance date, and imputation debits that will arise from the payment of dividends recognised as payables as at balance date.

The Company expects that future tax payments will generate sufficient imputation credits for the Company to be able to continue to fully impute future dividend payments.

7. RELATED PARTY TRANSACTIONS AND BALANCES

The Company has conducted financial transactions with fellow subsidiaries of CBA. In all cases these arrangements were conducted on market terms and conditions, and within the Company's approved policies.

Related Party Balances

Cash at ASB Bank Limited	685	752
Advance to ASB Funding Limited	350,000	350,000
Interest receivable due from ASB Funding Limited	1,645	1,547
Amount due to ASB Bank Limited	3	1

Related Party Transactions

Interest income from ASB Funding Limited	12,208	13,148
Interest income from ASB Bank Limited	9	8
Operating expenses paid to ASB Bank Limited	9	7

Directors' Shareholding

At 30 June 2013 none of the directors held any Perpetual Preference Shares in the Company. At 30 June 2012 a director held 10,000 Perpetual Preference Shares in the Company. Those shares were sold on 16 August 2012.

Notes to the Financial Statements

For the year ended 30 June 2013

7. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The Company has advanced the proceeds of the issue of Perpetual Preference Shares to ASB Funding Limited. Interest is currently receivable quarterly at 3.68% per annum (15 May 2012 3.46% per annum). The next interest payment date is 15 August 2013.

ASB Funding Limited has in turn invested the advanced sum in Perpetual Preference Shares issued by ASB Bank Limited. ASB Funding Limited, New Zealand Guardian Trust Company Limited (the "Trustee") and the Company are party to a Trust Deed, whereby ASB Funding Limited provides covenants to the Trustee for the benefit of holders of the Company's Perpetual Preference Shares and grants security over ASB Bank Limited Perpetual Preference Shares in favour of the Trustee.

The advance to ASB Funding Limited is repayable only in the event of the liquidation of ASB Funding Limited. However, if ASB Funding Limited receives any amount other than dividends in respect of the ASB Bank Limited Perpetual Preference Shares, ASB Funding Limited is required to pay that amount to the Company in reduction of the advance (unless the Trustee requires it to be paid to the Trustee instead). The full terms of the advance are recorded in the Advance Agreement, a copy of which may be obtained free of charge from the Company's Registered Office.

PricewaterhouseCoopers is the appointed auditor of the ASB Group of Companies. The audit fee is paid by ASB Bank Limited on behalf of the Company. No fees for other services were paid to PricewaterhouseCoopers during the year ended 30 June 2013 (30 June 2012 Nil).

8. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

As at 30 June 2013 the carrying value of loans and receivables measured at amortised cost was \$352,330k (30 June 2012 \$352,299k). This comprised Cash and Cash Equivalents, Interest Receivable from Related Parties and Advance to Related Parties.

As at 30 June 2013 the carrying value of financial liabilities measured at amortised cost was \$16k (30 June 2012 \$12k). This comprised Other Amounts due to Related Parties and Other Liabilities.

9. OTHER LIABILITIES

As at 30 June 2013 the Company had dividends payable (unpresented cheques) of \$13k (30 June 2012 \$11k).

10. REMUNERATION

The Company has no employees. Directors do not receive remuneration.

11. INTEREST RATE REPRICING

Interest on the advance to ASB Funding Limited resets annually on 15 May (or the business day thereafter) at the one year swap rate plus 1.0%. Cash at Bank is on call. Other financial assets and liabilities are non-interest bearing.

12. CONCENTRATION OF CREDIT EXPOSURES

The Company's material exposure is to ASB Funding Limited.

13. ASSET QUALITY

No financial assets are past due or impaired. No provision has been made against the value of assets reported in the Balance Sheet. Refer to Note 7 for details of advances.

The assets of the Company are considered to be of sound quality. Advances are reviewed at each balance date to determine whether there is any objective evidence of impairment. As there was no evidence of impairment, bad and doubtful debts have not been provided for in the financial statements. There has been no history of default by ASB Funding Limited.

Notes to the Financial Statements

For the year ended 30 June 2013

14. COMMITMENTS

The Company has no capital commitments as at 30 June 2013 (30 June 2012 Nil).

15. CONTINGENT LIABILITIES

The Company has no contingent liabilities as at 30 June 2013 (30 June 2012 Nil).

16. FINANCIAL REPORTING BY OPERATING SEGMENTS

The Company operates in New Zealand in one industry segment. Its primary business is financial services.

17. RISK MANAGEMENT POLICIES

ASB Capital No. 2 Limited is committed to the management of risk.

The Company's risk management strategy is set by the Board of Directors.

The material credit risk identified by the Board is the unlikely event of ASB Funding Limited failing to pay interest on the ASB Funding Limited advance. This event could occur if ASB Bank Limited failed to pay a dividend on the ASB Bank Perpetual Preference Shares owned by ASB Funding Limited. The Company manages credit risk by closely monitoring the ability of ASB Funding Limited to satisfy its obligations. To date, there has been no indication that ASB Funding Limited will not be able to make interest payments as they fall due.

As the interest rate on the advance to ASB Funding Limited matches the rate payable to Perpetual Preference shareholders, and the timing of interest payments matches the payment of dividends, interest rate risk and liquidity risk are eliminated. On this basis a sensitivity analysis is not required.

The Company has no significant financial liabilities as the Perpetual Preference Shares are classified as equity, on the basis that they are non-redeemable and dividends are payable at the discretion of the Directors. Therefore the Company is not exposed to material liquidity risk.

18. EVENTS AFTER THE REPORTING PERIOD

On 17 July 2013 the Directors declared a gross dividend of 0.9200 cents per share including imputation credits. The cash dividend of 0.6624 cents per share will be paid on 15 August 2013 to all registered holders of Perpetual Preference Shares at 5.00pm on 5 August 2013.

In accordance with NZ IFRS, the dividend declared on 17 July 2013 is not provided for in the financial statements as at 30 June 2013.

Statutory Information

For the year ended 30 June 2013

Auditor Independence

The Company has an External Auditor Services Policy, which governs the services that may be provided by the external auditors, and protects the independence of the external audit role.

Donations

The Company has not made any donations during the year ended 30 June 2013 (30 June 2012 Nil).

Directors' Remuneration

As the Directors of the Company are executives within the Commonwealth Bank of Australia group of companies, the Directors did not receive any remuneration or other benefits from the Company during the last financial year.

Employee Remuneration

The Company has no employees. Services are provided to the Company by ASB Bank Limited.

Directors

J E (Jon) Raby

Jon Raby is the Chief Financial Officer of ASB Bank Limited. Jon joined the ASB Group in March 2012 after 2 years as Chief Financial Officer for Commonwealth Bank of Australia's Retail Banking and Enterprise Services Divisions. Prior to that he was Acting Chief Executive Officer and Chief Financial Officer at Sovereign Assurance Company Limited.

Jon has an extensive background in the financial services industry across New Zealand, Australia, the United Kingdom and South Africa.

B J (Barbara) Chapman

Barbara Chapman commenced as Chief Executive Officer and Managing Director of ASB Bank Limited in April 2011.

Over the past 18 years Barbara has held a number of senior executive roles within ASB Bank Limited and the Commonwealth Bank of Australia group of companies, including Head of Retail Banking of ASB Bank Limited, Managing Director and Chief Executive Officer of Sovereign Assurance Company Limited, and Group Executive, Human Resources and Group Services of Commonwealth Bank of Australia.

K C (Kevin) McDonald

Kevin McDonald is the Chief Risk Officer of ASB Bank Limited, responsible for credit, market, operational, and regulatory risk. Kevin joined the ASB Group in January 2010 after 5 years as Chief Risk Officer of RBS International, Jersey.

Kevin has over 30 years experience in the banking industry, including positions with the UK Financial Services Authority and the Barclays Bank Group.

N C (Nigel) Annett

Nigel Annett is the General Manager Treasury of ASB Bank Limited. Nigel joined the ASB Group in January 2011 after 11 years with Australia and New Zealand Banking Group Limited (ANZ).

Nigel has broad Treasury and Portfolio Management experience gained from positions in London, Melbourne and Singapore.

Directors' Interests entered during the accounting period

N C Annett

ASB Finance Limited	Director
Bond Investments UK Limited	Director
Bond Investments No 1 Limited	Director
Securitisation Management Services Limited	Director

Nigel Annett was appointed to the above directorships on 17 May 2013.

Statutory Information

For the year ended 30 June 2013

Distribution of Perpetual Preference Shareholders

Size of Holding	No. of Holders as at 19 June 2013	Perpetual Preference Shares held as at 19 June 2013	% of Issued Perpetual Preference Shares as at 19 June 2013
1-9,999	494	2,785,513	0.80
10,000-49,999	2,889	62,508,659	17.86
50,000-99,999	789	47,131,177	13.47
100,000-499,999	509	80,877,522	23.11
500,000+	56	156,697,129	44.76
Total	4,737	350,000,000	100.00

Credit Rating

On 4 October 2012 the Standard & Poor's (Australia) Pty Limited current credit rating of the ASB Capital No. 2 Limited subordinated Perpetual Preference Shares was upgraded from BBB to BBB+.

New Zealand Exchange Limited ("NZX")

The Company's Perpetual Preference Shares are listed on the NZX. NZX has not exercised against the Company any disciplinary actions under Listing Rule 5.4.2.

NZX has not granted any waivers to the Company as at 30 June 2013.

Corporate Governance Statement

The Board has adopted a code of corporate governance which is reviewed annually.

Some of the main features of the Company's corporate governance are:

- > The Board is responsible for the overall corporate governance of the Company.
- > There are established criteria for the appointment of new Directors, including ensuring that new Directors can contribute to the ongoing effectiveness of the Board.
- > The Board may delegate certain powers to a committee of Directors. Given the size of the Company and the nature of the business of the Company, the Board has not established an audit committee or remuneration committee to date.
- > The Board is committed to management of risk and has adopted a risk management strategy.
- > The Board has adopted ASB Capital No. 2 Limited insider trading procedures based on the Securities Markets Act 1988 and the Insider Trading (Approved Procedure for Company Officers) Notice 1996. Before trading in any Perpetual Preference Shares of the Company, Directors must comply with the insider trading procedures.

Code of Ethics

The code of corporate governance adopted by the Board includes a code of ethics which establishes how the Directors observe and foster high ethical standards, act in good faith, and ensure that the Company complies with all relevant laws and regulations.

Statutory Information

For the year ended 30 June 2013

Shareholder Relations

The Company engages with its shareholders in the following ways:

- > Announcements are made to the Market on the Company's page on the NZX website (www.nzx.com). These announcements include events such as the declaration of dividends and the annual reset of the dividend rate by the Company.
- > Comprehensive information relating to the Company is disclosed to shareholders in the Company's annual and half-year reports.
- > A summary of information relating to the Company is provided to new shareholders in the Company by the Company's Share Registrar following the acquisition of shares by those shareholders.
- > When the Company's dividend rate is reset annually, the new dividend rate and the basis of calculating that rate are included in a note on the first dividend statement following the date of reset.

Disclosure Policy

The Company has adopted a disclosure policy to ensure compliance by the Directors with their disclosure obligations under the NZX Listing Rules and the Securities Markets Act 1988.

