

ASB Capital No. 2 Limited Annual Report

For the year ended 30 June 2015



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Annual Report

For the year ended 30 June 2015

The Directors of ASB Capital No. 2 Limited are pleased to announce an audited net profit after tax of \$11,552,000 for the year ended 30 June 2015 (year ended 30 June 2014 \$9,576,000).

On 15 May 2015 the dividend rate on the perpetual preference shares for the period 15 May 2015 to 16 May 2016 was reset to 4.34% per annum including imputation credits payable quarterly in arrears. The rate to 15 May 2015 was 4.62% 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 2014	5 August 2014	1.1550
17 November 2014	7 November 2014	1.1550
16 February 2015	9 February 2015	1.1550
15 May 2015	5 May 2015	1.1550

The Directors have declared a gross dividend of 1.0850 cents per share including imputation credits. The cash dividend of 0.7812 cents per share will be paid on 17 August 2015 to holders of perpetual preference shares on the register at 5.00pm on 7 August 2015. A supplementary dividend to be calculated after 7 August 2015 will be paid at the same time on perpetual preference shares held by non-residents.



J.E. Raby
Chairman
23 July 2015



N.C. Annett
Director

Directory

Directors

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

Registered Office

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ASB North Wharf
12 Jellicoe Street
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Auditor

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Chartered Accountants
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Takapuna
Auckland 0622
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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.

Statement of Comprehensive Income

\$ thousands		Note	2015	2014
For the year ended 30 June				
Interest income		6	<u>16,071</u>	13,326
Total operating income			16,071	13,326
Operating expenses		6	<u>26</u>	26
Total operating expenses			26	26
Net profit before taxation			16,045	13,300
Taxation		2	<u>4,493</u>	3,724
Net profit after taxation			11,552	9,576
Total comprehensive income			11,552	9,576

Statement of Changes in Equity

\$ thousands	Contributed Capital - Ordinary Shares	Contributed Capital - Preference Shares	Retained Earnings	Total Shareholders' Equity
For the year ended 30 June 2015				
Balance at beginning of year	1	350,000	1,487	351,488
Perpetual preference dividends paid	-	-	(11,642)	(11,642)
Total comprehensive income	-	-	<u>11,552</u>	<u>11,552</u>
Balance as at 30 June 2015	1	350,000	1,397	351,398
For the year ended 30 June 2014				
Balance at beginning of year	1	350,000	1,185	351,186
Perpetual preference dividends paid	-	-	(9,274)	(9,274)
Total comprehensive income	-	-	<u>9,576</u>	<u>9,576</u>
Balance as at 30 June 2014	1	350,000	1,487	351,488

These statements are to be read in conjunction with the notes on pages 6 to 10 and the Independent Auditor's Report on pages 11 to 12.

Balance Sheet

\$ thousands

As at 30 June

	Note	2015	2014
Assets			
Cash and cash equivalents	6	926	648
Interest receivable from related party	6	1,940	2,076
Advance to related party	6	350,000	350,000
Total assets		352,866	352,724
Liabilities			
Current taxation liability		1,456	1,226
Other liabilities	8	12	10
Total liabilities		1,468	1,236
Shareholders' Equity			
Contributed capital - ordinary shares	3	1	1
Contributed capital - preference shares	3	350,000	350,000
Retained earnings		1,397	1,487
Total shareholders' equity		351,398	351,488
Total liabilities and shareholders' equity		352,866	352,724

For, and on behalf of, the Board of Directors, who authorised the issue of these financial statements on 23 July 2015.



J.E. Raby
Chairman



N.C. Annett
Director

These statements are to be read in conjunction with the notes on pages 6 to 10 and the Independent Auditor's Report on pages 11 to 12.

Cash Flow Statement

\$ thousands

For the year ended 30 June

	Note	2015	2014
Cash flows from operating activities			
Cash was provided from:			
Interest received		16,207	12,895
Cash was applied to:			
Net taxation paid		(4,263)	(3,626)
Operating expenses		(26)	(29)
Net cash flows from operating activities	4	11,918	9,240
Cash flows from financing activities			
Cash was applied to:			
Dividends paid		(11,640)	(9,277)
Net cash flows from financing activities		(11,640)	(9,277)
Summary of movements in cash flows			
Net increase/(decrease) in cash and cash equivalents		278	(37)
Add: cash and cash equivalents at beginning of year		648	685
Cash and cash equivalents at end of year	6	926	648

These statements are to be read in conjunction with the notes on pages 6 to 10 and the Independent Auditor's Report on pages 11 to 12.

Notes to the Financial Statements

For the year ended 30 June 2015

1 Statement of Accounting Policies

General Accounting Policies

The reporting entity, ASB Capital No. 2 Limited (the "Company"), was incorporated in New Zealand on 18 November 2004 and is registered under the Companies Act 1993. The Company is a wholly owned subsidiary of CBA Funding (NZ) Limited, the ultimate parent of which is the Commonwealth Bank of Australia ("CBA").

ASB Capital No. 2 Limited is a finance company that has issued perpetual preference shares to the New Zealand market and is a reporting entity under the Financial Markets Conduct Act 2013 ("FMCA"). Its perpetual preference shares are listed on the New Zealand Stock Exchange ("NZX") under the code: ASBPB.

These financial statements are for the year ended 30 June 2015 and have been prepared in accordance with the requirements of the FMCA.

The Company's financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice. 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 also comply with International Financial Reporting Standards.

NZ IFRS 9 *Financial Instruments* has been issued but is not yet effective for the Company. This standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 *Financial Instruments: Recognition and Measurement* that relates to the classification and measurement of financial instruments. The standard is effective for the reporting period beginning 1 July 2018. While early adoption is permitted, the Company intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

Amendments to NZ IAS 32 *Financial Instruments: Presentation* have been adopted from 1 July 2014 and have been applied in the preparation of these financial statements. These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of offsetting criteria to settlement systems such as central clearing house systems. The adoption of these amendments did not have an impact on the financial statements.

Basis of Preparation

The measurement base adopted is that of historical cost.

Presentation Currency and Rounding

The functional and presentation currency of the Company is New Zealand dollars. The amounts contained in these financial statements are presented in thousands, unless otherwise stated.

Particular Accounting Policies

There have been no changes to accounting policies in the year ended 30 June 2015. All policies have been applied on a basis consistent with that used in the year ended 30 June 2014.

- **Revenue Recognition**

Interest income is recognised using the effective interest method.

- **Expense Recognition**

Expenses are recognised on an accruals basis.

- **Taxation**

Income tax on the net profit for the year comprises current and deferred tax, if any. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at balance date taking advantage of all allowable deductions under current taxation legislation. It also includes any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at balance date.

In accordance with NZ IAS 12 *Income Taxes*, a deferred taxation asset is recognised only to the extent that it is probable (i.e. more likely than not) that a future taxable profit will be available against which the asset can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements

For the year ended 30 June 2015

1 Statement of Accounting Policies (continued)

Particular Accounting Policies (continued)

• Financial Instruments

RECOGNITION AND DERECOGNITION

The Company recognises financial assets on the date it becomes a party to the contractual agreement and recognises financial liabilities when an obligation arises.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired. Derecognition also occurs when the rights to receive cash flows from financial assets have been transferred together with substantially all of their risks and rewards. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

CLASSIFICATION AND MEASUREMENT

The Company classifies its financial instruments under the following categories:

Loans and Receivables

Assets in this category are financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value including transaction costs and subsequently measured at amortised cost. The carrying amounts of these financial assets are reviewed at each balance date to determine if there is any objective basis of impairment. If any such basis exists, the financial asset's recoverable amount is estimated. If the estimated recoverable amount is less than its carrying amount, a provision is made and an impairment loss is recognised in the Statement of Comprehensive Income.

Loans and receivables include:

- *Cash and Cash Equivalents*
Cash and cash equivalents include cash on hand, bank current accounts and short-term investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.
- *Advances to Related Parties*
Advances to related parties include only the principal amounts due from related parties.
- *Other Assets*
Other assets include interest receivable.

Other Financial Liabilities

Liabilities in this category are initially recognised at fair value including transaction costs and subsequently measured at amortised cost. This includes dividends payable.

Contributed Capital - Preference Shares

Financial instruments are evaluated to determine whether they contain both liability and equity components. Such components are classified separately as financial liabilities or equity instruments in accordance with the economic substance of the contractual agreement.

Contributed capital - preference shares are classified as equity in their entirety, on the basis that they are non-redeemable and dividends are payable at the discretion of the Directors.

• Cash Flow Statement

The Cash Flow Statement has been prepared using the direct method.

• Fair Value Estimates

For financial instruments not presented in the Company's Balance Sheet at their fair value, fair value is estimated as follows:

- *Cash and Cash Equivalents*
These assets are short term in nature and their carrying amount is a reasonable approximation of their fair value.
- *Advances to Related Parties*
The fair value of the advance to ASB Funding Limited is estimated using the current market price of the perpetual preference shares given their inherent link (refer to notes 6 and 15 for further details of the terms and conditions of the advance). As at 30 June 2015, its fair value was estimated as \$283,310,000 being the amount of the advance multiplied by the NZX quoted price of the perpetual preference shares as at that date (30 June 2014 \$296,124,000). This fair value estimate is a level 2 measure under NZ IFRS 13's fair value hierarchy.
- *Other Assets*
These assets are short term in nature and their carrying amount is a reasonable approximation of their fair value.
- *Other Liabilities*
These liabilities are short term in nature and their carrying amount is a reasonable approximation of their fair value.

• 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 2015

2 Taxation

\$ thousands		
For the year ended 30 June	2015	2014

The taxation expense for the year is determined from the net profit before taxation as follows:

Net profit before taxation	16,045	13,300
Tax at the domestic rate of 28%	4,493	3,724
Total income tax charged to the Statement of Comprehensive Income	4,493	3,724

The Company has no deferred tax, therefore income tax comprises current tax only.

The Company is a listed Portfolio Investment Entity ("listed PIE"). 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

\$ thousands		
As at 30 June	2015	2014

Ordinary shares

Balance at beginning of year (1,000 shares)	1	1
Balance at end of year	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	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 each year on 15 May, or the business day thereafter, 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 one 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. The Company does not have to comply with externally imposed requirements.

Dividends per perpetual preference share inclusive of imputation credits for year ended 30 June 2015 were 4.6200 cents per share (year ended 30 June 2014 3.6800 cents per share).

4 Reconciliation of Net Profit after Taxation to Net Cash Flows from Operating Activities

\$ thousands		
For the year ended 30 June	2015	2014
Net profit after taxation	11,552	9,576
Movement in Balance Sheet items:		
Interest receivable accrued - decrease/(increase)	136	(431)
Taxation balances - increase	230	98
Other amounts due to related parties - decrease	-	(3)
	366	(336)
Net cash flows from operating activities	11,918	9,240

Notes to the Financial Statements

For the year ended 30 June 2015

5 Imputation Credit Account

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 2015 is \$541k (30 June 2014 \$585k). 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.

6 Related Party Transactions and Balances

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

\$ thousands		
For the year ended 30 June	2015	2014
Related Party Balances		
Cash at ASB Bank Limited	926	648
Advance to ASB Funding Limited	350,000	350,000
Interest receivable from ASB Funding Limited	1,940	2,076
Related Party Transactions		
Interest income from ASB Funding Limited	16,049	13,312
Interest income from ASB Bank Limited	22	14
Operating expenses paid to ASB Bank Limited	26	26

The Company has advanced the proceeds of the issue of perpetual preference shares to ASB Funding Limited. Interest is currently receivable quarterly at 4.34% per annum (4.62% per annum for the year ended 15 May 2015). The next interest payment date is 17 August 2015.

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 by the Company to PricewaterhouseCoopers during the year ended 30 June 2015 (30 June 2014 nil).

7 Categories of Financial Assets and Liabilities

As at 30 June 2015 the carrying value of loans and receivables measured at amortised cost was \$352,866k (30 June 2014 \$352,724k). This comprised cash and cash equivalents, interest receivable from related party and advance to related party.

As at 30 June 2015 the carrying value of financial liabilities measured at amortised cost was \$12k (30 June 2014 \$10k) which comprised other liabilities.

8 Other Liabilities

As at 30 June 2015 the Company had dividends payable (unpresented cheques) of \$12k (30 June 2014 \$10k).

9 Remuneration

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

Notes to the Financial Statements

For the year ended 30 June 2015

10 Interest Rate Repricing

Interest on the advance to ASB Funding Limited resets annually on 15 May (or the business day thereafter) at the interest rate for New Zealand dollar denominated swaps with a term of one year, plus a margin of 1.0%. Cash at ASB Bank Limited is on call. Other financial assets and liabilities are non-interest bearing.

11 Concentration of Credit Exposures

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

12 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 6 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.

13 Capital Commitments and Contingent Liabilities

The Company had no capital commitments or contingent liabilities as at 30 June 2015 (30 June 2014 nil).

14 Financial Reporting by Operating Segments

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

15 Risk Management Policies

The Company is committed to the management of risk. Its 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 and accordingly it is not exposed to material liquidity risk.

16 Events after the Reporting Period

On 23 July 2015 the Directors declared a gross dividend of 1.0850 cents per share, including imputation credits. The cash dividend of 0.7812 cents per share will be paid on 17 August 2015 to all registered holders of perpetual preference shares at 5.00pm on 7 August 2015.

In accordance with NZ IFRS, the dividend declared on 23 July 2015 is not provided for in the financial statements as at 30 June 2015.

There were no other events subsequent to the reporting period which would materially affect the financial statements.

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 (the "Company") on pages 3 to 10, which comprise the balance sheet as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the 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 and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards 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). 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 auditor considers the internal controls relevant to the Company's preparation and fair presentation of the financial statements 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.

We are independent of the Company. Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

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Independent Auditor's Report (continued)



Independent Auditor's Report

ASB Capital No. 2 Limited

Opinion

In our opinion, the financial statements on pages 3 to 10 present fairly, in all material respects, the financial position of the Company as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state 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.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

Chartered Accountants
23 July 2015

Auckland

Statutory Information

For the year ended 30 June 2015

Auditor Independence

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

Donations

The Company has not made any donations during the year ended 30 June 2015 (30 June 2014 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 year ended 30 June 2015 (30 June 2014 nil).

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 Division. 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 the Chief Executive Officer and Managing Director of ASB Bank Limited in April 2011. Since 1994 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.

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

Directors' Interests entered during the accounting period

B.J. Chapman

Commonwealth Bank of Australia

Shareholding commenced 18 August 2014 under Group Leadership Reward Plan
Shareholding ceased 22 August 2014

K.C. McDonald

ASB Smart Cards Limited

Directorship ceased as a result of company deregistration on 20 October 2014

Kiwi Home Loans (NZ) Limited

Directorship ceased as a result of company deregistration on 1 December 2014

J.E. Raby

Commonwealth Bank of Australia

Shareholding commenced 1 July 2014 under Leadership Incentive Share Plan
Shareholding ceased 20 August 2014

ASB Smart Cards Limited

Directorship ceased as a result of company deregistration on 20 October 2014

Kiwi Home Loans (NZ) Limited

Directorship ceased as a result of company deregistration on 1 December 2014

Statutory Information

For the year ended 30 June 2015

Distribution of Perpetual Preference Shareholders

Size of Holding	No. of Holders as at 18 June 2015	Perpetual Preference Shares as at 18 June 2015	% of Issues Perpetual Preference Shares as at 18 June 2015
1 - 9,999	409	2,277,507	0.65
10,000 - 49,999	2,467	52,930,520	15.12
50,000 - 99,999	702	42,050,995	12.01
100,000 - 499,999	441	67,923,208	19.41
500,000+	53	184,817,770	52.81
Total	4,072	350,000,000	100.00

Credit Rating

Following a revision in its rating methodology, Standard and Poor's (Australia) Pty Limited credit rating of the ASB Capital No. 2 Limited subordinated Perpetual Preference Shares was downgraded from BBB+ to BBB.

NZX 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 year ended 30 June 2015.

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

Financial Products Trading Policy

The Board has adopted a Financial Products Trading Policy and Guidelines to address the insider trading prohibitions in the FMCA. Before trading in any perpetual preference shares of the Company, Directors must comply with this policy and the related guidelines.

Disclosure Policies

The Company has adopted a Relevant Interests Disclosure Policy to ensure compliance by directors and senior managers of the Company with their disclosure obligations under the FMCA and the NZX Main Board/Debt Market Listing Rules (the "Rules"), and a Continuous Disclosure Policy in relation to the Company's continuous disclosure obligations under the FMCA and the Rules.

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.

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.



