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ASB BANK

ONE STEP AHEAD

Joint Lead Manager

 **UBS Warburg**

ASB Capital Limited

Investment Statement

and

Prospectus

30 October 2002

ASB Capital Limited

Offer of Perpetual Preference Shares by
ASB Capital Limited

Organising Broker

ASB SECURITIES

SHAREBROKING SERVICES

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Important Information

(THE INFORMATION IN THIS SECTION IS REQUIRED UNDER THE SECURITIES ACT 1978)
INVESTMENT DECISIONS ARE VERY IMPORTANT THEY OFTEN HAVE LONG-TERM
CONSEQUENCES READ ALL DOCUMENTS CAREFULLY ASK QUESTIONS SEEK ADVICE
BEFORE COMMITTING YOURSELF

Choosing an investment

When deciding whether to invest consider carefully the answers to the following questions that can be found on the pages noted below

What sort of investment is this?	20
Who is involved in providing it for me?	21
How much do I pay?	21
What are the charges?	21
What returns will I get?	22
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Who do I contact with enquiries about my investment?	26
Is there anyone to whom I can complain if I have problems with the investment?	26
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In addition to the information set out in this section of this Offer Document important information can be found in the current registered prospectus for the investment. You are entitled to a copy of the prospectus on request¹

Choosing an Investment Advisor

You have the right to request from an investment advisor a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you

- whether the advisor gives advice only about particular types of investments and
- whether the advice is limited to the investments offered by one or more particular financial organisations and
- whether the advisor will receive a commission or other benefit from advising you

You are strongly encouraged to request that statement. An investment advisor commits an offence if he or she does not provide you with a written disclosure statement within five working days of your request. You must make the request at the time the advice is given or within one month of receiving the advice.

In addition

- If an investment advisor has any conviction for dishonesty or has been adjudged bankrupt he or she must tell you this in writing and

- if an investment advisor receives any money or assets on your behalf he or she must tell you in writing the methods employed for this purpose

Tell the advisor what the purpose of your investment is. This is important because different investments are suitable for different purposes.

Important notice

This Offer Document is a combined prospectus and investment statement for the purposes of the Securities Act 1978 (**Securities Act**) and the Securities Regulations 1983 (**Securities Regulations**). The purpose of the *Answers to Important Questions* section of this Offer Document is to provide certain key information that is likely to assist a prudent but non expert person to decide whether or not to acquire Perpetual Preference Shares in ASB Capital under this Offer. However investors should note that other important information about the Perpetual Preference Shares and the Offer is available in the remainder of this Offer Document.

Registration

This Offer Document is prepared as at and dated 30 October 2002. A copy of this Offer Document signed by the directors of ASB Capital (as issuer) and by ASB Bank and its directors (as promoters) for the purposes of the Securities Act (and having endorsed on or attached to this Offer Document the contracts, documents, information, certificates and other matters required to be so endorsed or attached by section 41 of the Securities Act including the material contracts described on page 52, the auditor's report set out on pages 93 and 94, the consent of the auditor to the report appearing in the Offer Document and an acknowledgement from the NZSE) has been delivered to the Registrar of Companies at Auckland for registration under section 41 of the Securities Act.

Definitions

Capitalised terms used in this Offer Document have defined meanings which appear in the Glossary section or within the relevant section of this Offer Document in which the term is used. All references to \$ are to New Zealand dollars unless specified otherwise. All references to time in this Offer Document are to time in New Zealand.

¹ This is the wording required by Schedule 3D of the Securities Regulations 1983 which contemplates a separate prospectus and investment statement. For this Offer the two documents have been combined and the prospectus available on request is this document.

Offer Timetable

Opening Date	11 November 2002
Closing Time	5 00 pm on 9 December 2002
Dividend Rate Set Date	10 December 2002
Expected date of initial quotation and trading on NZSE	10 December 2002
First Dividend Payment Date	15 February 2003
Subsequent Dividend Payment Dates	15 February May August November
First Dividend Reset Date	15 November 2003

- 1 The above dates are indicative only. Subject to applicable law, ASB Capital has the right to extend or otherwise vary the Opening Date and the Closing Time. This may have a consequent effect on other dates listed above.
- 2 The Dividend Rate Set Date may vary as a consequence of any change in the Closing Time. If the Offer closes earlier or later than 5 00 pm on 9 December 2002, the Dividend Rate Set Date will be the Business Day immediately following the earlier or later closing time.
- 3 The first dividend is payable on 15 February 2003 and is payable to the original subscriber (irrespective of any transfer of the Perpetual Preference Shares by that original subscriber prior to the first dividend payment date).

Perpetual Preference Shares Key Features

Issuer	ASB Capital Limited
Rating	The Perpetual Preference Shares are rated A- by Standard & Poors (Australia) Pty Limited
Maximum Principal Amount	\$150 million plus up to \$50 million oversubscriptions
Initial Minimum Dividend Rate	7.4 percent per annum payable quarterly
Dividend Reset Date	Annually on 15 November
Dividend Rate	A fixed margin of 1.3 percent over the Benchmark Rate (see definition in the Glossary on page 95)
Dividend Payment Dates	15 February 15 May 15 August and 15 November commencing 15 February 2003
Minimum Application	\$5 000 and thereafter in \$1 000 increments
Purpose of Offer	Raise capital for ASB Group of companies
Opening Date	11 November 2002
Closing Time	5 00pm on 9 December 2002



Letter from Chairman of ASB BANK

Dear Investor

I have pleasure in introducing this opportunity to subscribe for up to \$200 million Perpetual Preference Shares in ASB Capital. ASB Capital is a special purpose company formed to issue these Perpetual Preference Shares. The issue of ASB Capital Perpetual Preference Shares provides New Zealand resident investors with an opportunity to subscribe for an investment associated with the ongoing success of the ASB Group of companies.

Whilst the issue of Perpetual Preference Shares is by ASB Capital and these shares are not guaranteed by ASB Bank, ASB Bank's parent company ASB Group (Holdings) has granted certain security and covenants in relation to the Perpetual Preference Shares. The nature of the security and covenants is described in detail in this Offer Document.

Several high profile brands operate within the ASB Group of companies including ASB Bank, BankDirect and ASB Securities. ASB Bank is a recognised leader in customer service, the practical application of leading edge technology and support of the New Zealand community.

For the year ended 30 June 2002, ASB Bank's after tax profit was a record \$225 million, up 23% on the previous year. This performance was achieved through strong across the board business growth and a sharp focus on cost management and margins. This combination enabled ASB Bank to lift productivity by 6% with the percentage of total operating expenses to income declining to 51.3%.

This Offer Document contains a review of the ASB Group of companies, past and present activities and full details of the Offer of Perpetual Preference Shares. I strongly commend the Perpetual Preference Shares to New Zealand investors.

Yours faithfully



Gary Judd Q.C.
Chairman
ASB Bank Limited

Terms of the Offer

Introduction This Offer Document which is dated 30 October 2002 is a combined prospectus and investment statement for an offer by ASB Capital of \$150 million of Perpetual Preference Shares. ASB Capital reserves the right to accept oversubscriptions of up to \$50 million of Perpetual Preference Shares. ASB Capital is a wholly owned subsidiary of CBA Funding (NZ) Limited. CBA Funding (NZ) Limited does not guarantee amounts payable in respect of the Perpetual Preference Shares. The relationship between ASB Capital and ASB Bank is described on page 8 under the heading *Relationship with ASB Bank*. The Perpetual Preference Shares are being offered to New Zealand resident institutional and retail investors at an issue price of NZ\$1.00 per Perpetual Preference Share.

This Offer Document contains important information and should be read in its entirety. Investors should note that other important information about the Perpetual Preference Shares and the Offer is available in the Trust Deed, the Loan Agreement and the Constitution. Copies of these documents can be obtained from ASB Capital's registered office at Level 28, ASB Bank Centre, 135 Albert Street, Auckland.

Credit rating The Perpetual Preference Shares have been assigned a separate issue rating of A- by Standard & Poors (Australia) Pty Limited. ASB Bank holds a New Zealand dollar long term rating of AA- (stable outlook) from Standard & Poors (Australia) Pty Limited. For the relationship between ASB Capital and ASB Bank see the provisions under the heading *Relationship with ASB Bank* on page 8.

Use of Proceeds ASB Capital has been incorporated for the sole purpose of issuing the Perpetual Preference Shares. ASB Capital will lend the proceeds of this issue of Perpetual Preference Shares to ASB Group (Holdings) on the terms set out in the Loan Agreement. The terms of the Loan Agreement are described on page 18 under the heading *Terms of ASB Capital Loan to ASB Group (Holdings)*. ASB Group (Holdings) will then invest the proceeds of this loan in ASB Bank.

Perpetual Preference Shares

The terms of the ASB Bank Perpetual Preference Shares are described on page 19 under the heading *Terms of ASB Bank Perpetual Preference Shares*.

Opening Date and Closing Time

The Opening Date for the Offer of the Perpetual Preference Shares is 11 November 2002. The Closing Time for applications is expected to be 5.00pm on 9 December 2002 or the date on which subscriptions are received and accepted for \$150 million of Perpetual Preference Shares plus the level of oversubscriptions (if any) that ASB Capital decides to accept up to a maximum of \$50 million. ASB Capital reserves the right to vary the Opening Date or the Closing Time.

Issue Price The issue price of NZ\$1.00 per Perpetual Preference Share must be paid in cash in full on application.

Initial Dividend Rate From the date of allotment of the Perpetual Preference Shares until the first Dividend Reset Date, dividends will be payable at a rate set on the Dividend Rate Set Date as the greater of

- 7.4 percent per annum payable quarterly, or
- the Benchmark Rate as at the Dividend Rate Set Date plus a margin of 1.3 percent, adjusted to a quarterly equivalent rate.

Subsequent Dividend Rates Following the first Dividend Reset Date, dividends will be payable at the Benchmark Rate set on each Dividend Reset Date plus a margin of 1.3 percent, adjusted to a quarterly equivalent rate.

Payment of Dividend Dividends accrue on a daily basis from the date of allotment. The first dividend is payable on 15 February 2003 and is payable to the original subscriber (irrespective of any transfer of the Perpetual Preference Shares by that original subscriber prior to the first dividend payment date). Dividends are payable in quarterly instalments in arrears.

on 15 February 15 May 15 August and 15 November in each year or if that day is not a Business Day the next Business Day. The payment of dividends is subject to ASB Capital's right to cancel dividends (See the provisions under the heading *Cancellation of dividends* on page 17.)

Imputation The dividends may consist of a combination of cash payments and imputation credits. Accordingly if dividends are fully imputed the cash payment received will be 67% of the amounts referred to above (assuming a corporate tax rate of 33%). If no imputation credits are attached to a dividend the cash payment made will be 100% of the amounts referred to above.

Applications Applications must be for a minimum of 5 000 Perpetual Preference Shares and thereafter in multiples of 1 000 Perpetual Preference Shares. ASB Capital may refuse all or any part of any application without giving a reason.

How to Apply Instructions on how to make an application are contained in the section of this Offer Document headed *Application Instructions*. If you wish to apply for Perpetual Preference Shares you should complete the Application Form attached to this Offer Document in accordance with the instructions.

Completed Application Forms (other than applications under firm allocations) should be sent to
ASB Capital Limited
C/- ASB Securities Limited
P O Box 35
Auckland

Applicants accepting a firm allocation from a NZSE member firm need to lodge the Application Form with the offices of the member firm of the NZSE which has provided that firm allocation in time for it to be forwarded to the Registrar before the Closing Time. Applications for Perpetual Preference Shares must be made on the Application Form. You need to

- complete the Application Form in accordance with the instructions set out in the section of this Offer Document headed *Application Instructions* and

- return the completed Application Form together with payment of the full amount of the application as soon as possible but in any event so as to enable it to be received by the Registrar no later than the Closing Time.

ASB Capital may at its discretion treat any Application Form as valid even if it does not comply with the requirements above or is otherwise irregular. An Application Form may be treated by ASB Capital as a valid application whether or not it is received before the Closing Time. By signing the Application Form an applicant irrevocably offers to subscribe for the Perpetual Preference Shares on the terms set out in the Offer Document and the Application Form notwithstanding any changes to the Closing Time or other dates which ASB Capital is entitled to change.

Offer in New Zealand only The Perpetual Preference Shares are being offered only to New Zealand residents and no offer is being made outside New Zealand. No action has been or will be taken by ASB Capital which would permit an offer of the Perpetual Preference Shares or possession or distribution of any offering material in any other country or jurisdiction where action for that purpose is required. No person may purchase offer sell distribute or deliver any Perpetual Preference Shares or have in its possession or distribute to any person any offering material or any documents in connection with the Perpetual Preference Shares to any person outside New Zealand.

Unless otherwise agreed with ASB Capital any person or entity applying for Perpetual Preference Shares is deemed to represent that they are not in a jurisdiction which prohibits the making of an offer of this kind and are not acting for a person in such a jurisdiction.

Tax Investors should obtain their own advice regarding this Offer and in respect of subscribing for and holding Perpetual Preference Shares. The information (including the tax information) contained in this Offer Document is general in nature and may not apply to investors' individual circumstances.

Listing on NZSE Application has been made to the NZSE for permission to list the Perpetual Preference Shares. All requirements of the NZSE relating to the listing that can be complied with on or before the date of this Offer Document have been duly complied with. However, the NZSE accepts no responsibility for any statement in this Offer Document.

Brokerage The NZSE has authorised member firms to act in this Offer. Applicants are not required to pay brokerage for Perpetual Preference Shares under the Offer. Details of the brokerage to be paid to member firms of the NZSE are set out in the *Answers to Important Questions* section of this Offer Document under *What are the Charges?*

Payment of Issue Price The Issue Price must be paid in full on application. Cheques must be made payable to *ASB Capital Offer*, must be crossed, Not Transferable, and must be for immediate value. If a cheque is dishonoured, ASB Capital may cancel any Perpetual Preference Shares allotted or pursue any other remedies available to it at law.

Refunds If ASB Capital accepts an application in part, the balance of the application money will be refunded (without interest) within five Business Days of the date of allotment of the Perpetual Preference Shares to the applicant under that application. If an Application Form is not accepted by ASB Capital, any application money received with that application will be returned to the applicant within five Business Days of the Closing Time. Interest will not be paid on any refund or application money which is not accepted.

Allotment of Perpetual Preference Shares The minimum amount to be raised by the Offer is \$50 million. Unless and until valid applications for that amount have been received and accepted, Perpetual Preference Shares will not be allotted. Pending allotment, all subscription monies received from investors will be held on trust for those investors.

Once valid applications for \$50 million have been received, Perpetual Preference Shares will be allotted in respect of the applications already received and thereafter will be allotted on a daily basis following receipt and acceptance of applications by ASB Capital. The Registrar will advise successful applicants of the allotment of Perpetual Preference Shares to them as soon as possible after allotment.

Firm Allocations All of the Perpetual Preference Shares may be reserved for subscription by clients of the Lead Managers, Organising Broker and other member firms of the NZSE.

The amount of Perpetual Preference Shares so reserved will be determined by the Lead Managers and notified to investors by way of general announcement to the NZSE on or before the Opening Date. It is anticipated that all of the Perpetual Preference Shares will be so reserved. Any amount not so reserved will form part of a public pool.

Arranger ASB Bank Limited

Lead Managers ASB Bank Limited and UBS Warburg New Zealand Limited

Organising Broker ASB Securities Limited

Security Trustee The New Zealand Guardian Trust Company Limited

Estimated Expenses of the Offer Issue expenses associated with the Offer comprising accounting and auditing fees, legal fees, listing fees, registry expenses, ratings agency fees, advertising, printing and distribution of this Offer Document and brokerage fees are estimated to be \$3.1 million and will be paid by ASB Bank and ASB Group (Holdings).

Underwriting This Offer is not underwritten.

Important Document If you are in any doubt as to how to deal with this Offer Document, please immediately contact a member firm of the NZSE, an accountant or a financial advisor.

Relationship with ASB Bank

The ultimate parent company of each of CBA Funding (NZ) Limited, ASB Capital, ASB Group (Holdings) and ASB Bank is the Commonwealth Bank of Australia.

ASB Capital is a company formed for the sole purpose of issuing these Perpetual Preference Shares. It has and will have no other business and its only asset will be a loan to ASB Group (Holdings) of the proceeds of the issue of the Perpetual Preference Shares. ASB Group (Holdings) will invest that loan in ASB Bank Perpetual Preference Shares. Holders of the Perpetual Preference Shares will have recourse in certain circumstances to these ASB Bank Perpetual Preference Shares for amounts payable in respect of the Perpetual Preference Shares. (See the provisions under the heading *Structure of Transaction* on page 15.)

No member of the Commonwealth Bank or ASB Group of companies, including Commonwealth Bank, CBA Funding (NZ) Limited, ASB Group (Holdings) or ASB Bank guarantees amounts payable in respect of the Perpetual Preference Shares.

In the normal course of events ASB Capital will only be able to make payments under the Perpetual Preference Shares to the extent that ASB Bank makes payments to ASB Group (Holdings) under the ASB Bank Perpetual Preference Shares and ASB Group (Holdings) makes payments to ASB Capital under the Loan Agreement.

For that reason, the business and financial position of ASB Bank is relevant to investors in the Perpetual Preference Shares. Set out on pages 9 to 12 is an overview of ASB Bank and on pages 54 to 91 the most recent audited financial statements of ASB Bank for the year ended 30 June 2002.

Other information about ASB Bank is available as follows:

- a copy of the current disclosure statement may be obtained from any branch of ASB Bank
- copies of financial statements of ASB Bank for previous financial years and other information about ASB Bank can be inspected at the Companies Office, Business and Registries Branch, Ministry of Economic Development on its website www.companies.govt.nz. Where documents are not available on the website, a request for the documents can be made by contacting the Companies Office on 0508 266 726.



Overview of ASB Bank

The business overview set out in this section is a summary of ASB Bank and the ASB Group of companies. It is not a summary of the business of ASB Capital. It should be read in conjunction with the further information contained in this Offer Document including the summary financial information set out in the section entitled "ASB Bank Financial Statements" on page 54. ASB Bank is a full service nationally operating bank and financial services company. It provides a seamless total service that covers a comprehensive range of financial options that can be tailored to the needs of its 800 000 international corporate business rural and personal customers.

Personal Banking

ASB Bank is a recognised leader in customer service, the practical application of leading edge technology and community support. The Bank has been at the forefront of introducing advanced interactive electronic banking and self service products and services.

One of ASB Bank's specialised areas is home loan finance. The Bank is the main financial services provider to 16.6% of New Zealanders (as reported in AC Nielsen CFM (Consumer Finance Monitor) Q2 2002 released on 2 August 2002).

Direct Banking

BankDirect is ASB Bank's virtual bank brand, with a strong focus on the direct home lending market. Customer interaction with BankDirect is undertaken through the Internet, self service or the telephone.

Business and Rural Banking

The Bank supplies banking and financial services to corporates, small businesses and farmers. ASB Bank's point of difference is offering innovative, flexible solutions and delivering its services through the use of advanced online technology.



Treasury and International Banking

ASB Bank specialises in those treasury and international banking services in which it can make a significant contribution, especially those where advanced technologies offer customer benefits.

ASB Securities - Sharebroking Services

ASB Securities is a full service sharebroking operation and a member of the NZSE. Clients can trade online through the Internet, use the discount telephone service, or seek professional advice from the advisory division. ASB Securities also has a dedicated fixed interest department and an intermediary service for financial planners and other third party advisors. ASB Securities clients have access to New Zealand and overseas markets, new share issues, research information, fixed interest and other investment products such as margin lending, cash management and foreign currency accounts.

Investment Services

Through ASB Investments Limited, the Bank's customers can invest in a range of international and domestic managed funds and retirement savings options.

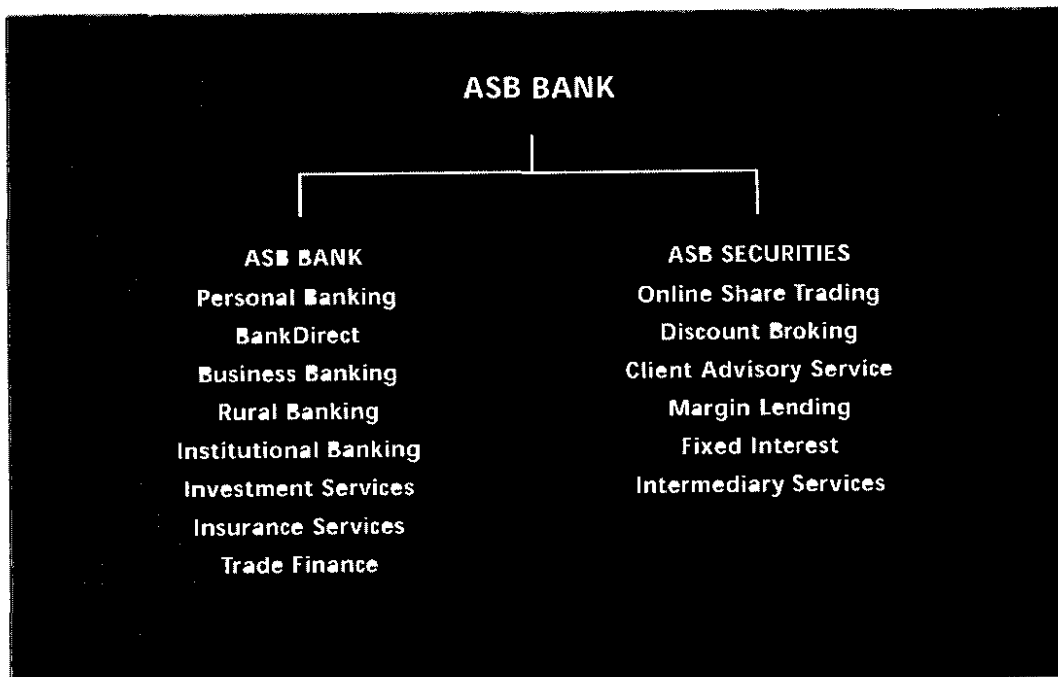
Insurance Services

Customers' insurance needs are met through a range of life, borrowers protection, health and fire and general insurance offerings, all of which are available through the Bank's branches and Insurance Advisory Service.



Trade Finance

ASB Bank provides importers and exporters with a range of specialist trade finance services



Highlights 2002 Financial Year

For the third successive year the Bank increased its net surplus after tax by more than 20% setting a new record profit of \$225 million

The Bank improved its productivity by 6% reducing the percentage of total operating expenses to total income to 51.3% and achieving a greater than 1% return on assets for the first time

The Bank opened a branch in Queenstown. ASB Bank is now represented by a branch office in every major centre in New Zealand

The Bank's rural lending portfolio exceeded \$2 billion. This milestone was achieved five years ahead of projections

In the competitive area of wealth management, funds under management exceeded \$1 billion for the first time

ASB Bank was rated New Zealand's best organisation and best practice globally for handling customer complaints by TMI, an international people strategy and development organisation with offices in 35 countries. TMI announced these results in September 2001 and February 2002

ASB Bank introduced New Zealand's first mobile telephone based banking service, Fastnet Mobile, which allows customers to view banking services on screen. The linking of banking and mobile phones marks the first step toward the introduction of an extensive range of screen based services

The Bank introduced a new transaction account named Streamline. Offering lower EFTPOS transaction fees, the product has particular appeal to high electronic transaction users

To ASB Bank, customer service is of critical importance. The Bank has internal performance criteria against which it measures customer service on an ongoing basis. It also seeks to benchmark its performance externally against other New Zealand and international banks

CONSOLIDATED PERFORMANCE IN BRIEF OF ASB BANK

For the year ended 30 June 2002

For a better understanding of the financial performance and position of ASB Bank for the following periods the information below should be read in conjunction with the related annual audited financial statements of ASB Bank

	2002	2001	2000	1999	1998
STATEMENT OF FINANCIAL PERFORMANCE (\$ millions)					
Interest Income	1,500.7	1,473.9	1,078.1	954.0	1,121.5
Interest Expense	992.3	1,016.5	693.6	626.4	801.8
Net Interest Earnings	508.4	457.4	384.5	327.6	319.7
Other Income	215.3	187.2	177.4	137.0	121.1
Total Operating Income	723.7	644.6	561.9	464.6	440.8
Debt Provisions Expense	18.0	13.5	11.4	12.8	10.9
Total Operating Income after Debt Provisions Expense	705.7	631.1	550.5	451.8	429.9
Total Operating Expenses	371.0	351.0	322.0	275.3	267.2
Net Surplus before Taxation	334.7	280.1	228.5	176.5	162.7
Taxation	110.0	96.7	78.4	59.6	54.8
Net Surplus after Taxation	224.7	183.4	150.1	116.9	107.9

STATEMENT OF FINANCIAL POSITION (\$ millions)

Total Assets	24,249.6	20,021.7	17,179.5	14,709.9	12,896.8
Advances	19,031.9	16,173.5	14,406.6	12,460.3	10,821.4
General Provision	71.3	59.3	51.0	44.1	37.3
Specific Provisions	6.8	6.8	7.5	6.6	8.0
Total Liabilities	23,216.8	19,202.0	16,332.6	13,966.5	12,239.5
Deposits (includes Amounts Due to Other Banks)	22,680.4	18,762.8	16,074.6	13,822.0	12,077.6

SHAREHOLDER'S FUNDS (\$ millions)

Shareholder's Funds at end of year	1,032.8	819.7	846.9	743.4	657.3
Dividends	10.0	150.0	43.8	22.7	21.0
Ordinary	-	-	-	5.0	-
Special	-	3.1	3.1	3.1	3.1
Non Cumulative Preference	-	-	-	-	-

PERFORMANCE

Return on Ordinary Shareholder's Funds	24.26%	22.30%	19.73%	17.50%	18.55%
Return on Total Average Assets	1.02%	0.97%	0.92%	0.82%	0.88%
Net Interest Margin / Total Average Assets	2.30%	2.46%	2.41%	2.37%	2.68%
Growth in Total Assets	21.12%	16.54%	16.79%	14.06%	17.35%
New Home Lending Approvals (\$ millions)	4,748.2	3,141.6	3,301.1	2,887.6	2,535.8

PRUDENTIAL

Shareholder's Funds as a % of Total Assets	4.26%	4.09%	4.93%	5.05%	5.10%
Tier One Capital as a % of Risk Weighted Exposures	7.90%	7.25%	7.74%	7.68%	7.94%
Total Capital as a % of Total Risk Weighted Exposures	10.44%	10.07%	9.69%	8.73%	9.10%

OTHER INFORMATION

Full time Equivalent Employees	3,050	2,937	2,747	2,723	2,594
Number of Branches	119	118	117	121	120

Community Support

Community support is a major element of ASB Bank's heritage and the Bank maintains a strong community presence. During the year ASB Bank became a sponsor of Team New Zealand and is their exclusive supplier of banking services.

ASB Bank makes donations to and sponsors numerous New Zealand sporting, artistic and charitable organisations.

Nationwide

- Team New Zealand Operation Marlin – (Police boats and safe boating campaign around America's Cup Regatta)
- ASB BANK Classic (Women's International Tennis Tournament)
- Ellerslie Flower Show
- Post Graduate Medical Committee (ASB Bank Visiting Professor)
- Starship Children's Health
- The New Zealand Breast Cancer Foundation
- Variety Club

Auckland

- ASB BANK/Auckland Primary Schools Principals Association Travelling Fellowship
- ASB BANK College Sport
- ASB BANK Festival (Auckland Secondary Schools Maori and Pacific Islands Cultural Festival)
- ASB BANK Lounge (North Harbour Stadium)
- ASB Stadium
- ASB Bank Stand at Eden Park (ASB Lounge)
- ASB BANK Tennis Centre
- Auckland Netball
- Auckland Rugby Football Union
- Auckland Tennis
- Auckland Theatre Company
- Counties Manukau Rugby Football Union
- Hobson Wharf Information Centre
- MRX Yachts
- Netball North Harbour
- Netball Waitakere
- North Harbour Rugby
- North Harbour Rugby Referees Association

Northland

- Northland Rugby Football Union
- Sport Northland

Central North Island

- Hamilton City Netball Centre
- NZ Ironman (Taupo)
- Sport Bay of Plenty
- Taranaki Rugby Union

Hawkes Bay

- Hawkes Bay MultiSport Club
- Sport Hawkes Bay

Wellington

- Wellington Netball
- Wellington Tennis

Upper South Island

- ASB BANK Nelson Giants (Basketball Team)

Christchurch

- ASB BANK Starry Nights
- Canterbury Tennis

Lower South Canterbury

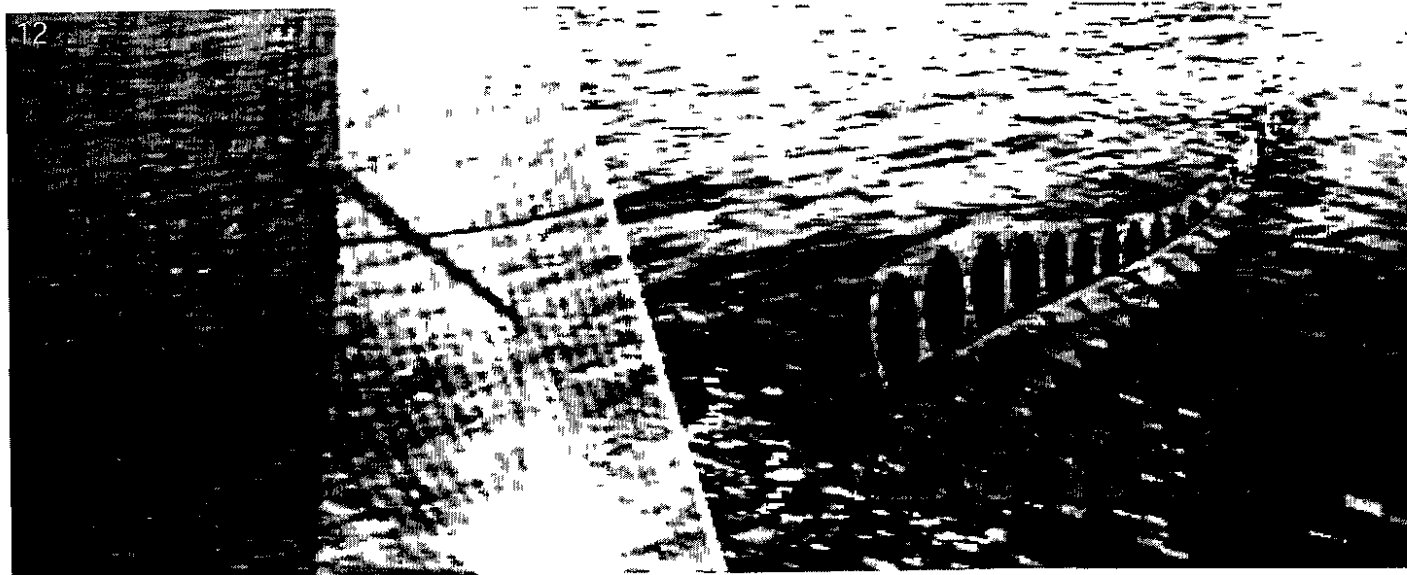
- Tennis South Canterbury

Otago

- Otago Rugby Union

Southland

- Netball Southland



Directors

ASB Capital Limited

Directors

The Board has three directors being

PS (Peter) Hall

B Sc M Sc

Mr Hall has been a banker for more than 20 years. He was Treasurer of ASB Bank for six years before being appointed as Head of Corporate Banking. Mr Hall is now also Head of ASB Securities and Commonwealth Bank Country Head for Institutional Banking. Prior to joining ASB Bank, Mr Hall was treasurer of a bank in Hong Kong. He is a qualified electrical engineer and has a B Sc in electrical engineering and an M Sc in industrial management.

J W (John) Duncan

C A

Mr Duncan has in excess of 30 years experience in banking, accountancy and senior management. A Chartered Accountant, Mr Duncan joined ASB Bank in 1987 to head up the Bank's Visa card operations and in 1989 was appointed Assistant General Manager Personal Banking. He was appointed as Group General Manager Finance in 1992 and assumed his current position of Group General Manager Financial and Risk Management in 2001.

J A (John) te Wechel

M A

Mr te Wechel is General Manager Group Funding for Commonwealth Bank. Mr te Wechel joined Commonwealth Bank in 1974 and held a number of general banking positions in Australia and overseas prior to joining Group Funding. Mr te Wechel was appointed to his current role in 1992. He has a Master of Arts in banking management from Macquarie University.

ASB Bank Limited

Directors

There are eight directors on the ASB Bank board including three Commonwealth Bank executives, one executive director and four independent directors.

The directors are

G J (Gary) Judd

Q C LL B (Hons) F Inst D *Chairman*

A practising barrister, Mr Judd has been associated with ASB Bank as a trustee and director since 1985. He became Chairman in 1988 when the Bank was owned by the ASB Bank Community Trust and was reconfirmed in this position when the Commonwealth Bank Group obtained a controlling interest.

G H (Hugh) Burrett

Managing Director

Appointed as Managing Director in October 2001, Mr Burrett has more than 30 years banking experience and has held a variety of executive roles within ASB Bank. He has overseen the expansion of ASB Bank's branch network nationally, the extension of its services into business and rural banking, and has focused on achieving an award winning level of customer service.

J M R (Jim) Syme

B Com F A C A C M A *Deputy Chairman*

A leading figure in the New Zealand financial industry, Mr Syme has over 30 years experience in retail, commercial and merchant banking. He is a director of Waste Management NZ Limited and Metro Water Limited and the chairman of Software of Excellence International Limited and Kiwi Income Properties Limited.

R (Rick) Boven

B A (Hons) M A M B A

Mr Boven is a partner of The Boston Consulting Group. He has been a strategic management consultant since 1983 and a member of the ASB Bank board since 1994.

L G (Les) Cupper

B Econ (Hons) M Econ Dip Ed

Mr Cupper who has 28 years experience in education mining manufacturing and banking was appointed a director of ASB Bank in February 1998. Currently he is General Manager Group Human Resources of the Commonwealth Bank and an Executive Committee member of Commonwealth Bank.

J A (John) Hood

B E (Hons) PhD (Auckland) M Phil (Oxf)

Dr Hood is Vice Chancellor of the University of Auckland. He has an extensive corporate background is the chairman of Tonkin & Taylor Limited a director of Fonterra Co operative Group Limited a trustee and governor of King's School and New Zealand Secretary for the Rhodes Trust.

P A (Patrick) Edwards

FCCA MCT FFTP

Mr Edwards was appointed to the ASB Bank board in September 2001. He has been General Manager Capital Management at Commonwealth Bank since July 2000. Prior to this appointment he was Treasurer of Colonial Limited for 4 years and has held financial management and audit positions in several Australian companies.

G L (Garry) Mackrell

B Sc B Econ (Hons) M Com

Mr Mackrell was appointed to the ASB Bank board in December 2001. Mr Mackrell has held several executive positions at Commonwealth Bank and is currently the Group Executive of International Financial Services (IFS) and an Executive Committee member. The ASB Group of companies is part of IFS.

Structure of Transaction

This section contains a description of the structure of the transaction involving the issue of the Perpetual Preference Shares. It is a brief summary only of the relevant documents. The Glossary on page 95 contains definitions of terms used in this summary. The full terms of the transaction are recorded in:

- the Constitution
- the Loan Agreement and the security document securing the amounts payable under the Loan Agreement
- the terms of the ASB Bank Perpetual Preference Shares and
- the Trust Deed

Copies of these documents may be obtained free of charge from ASB Capital, Level 28, ASB Bank Centre, 135 Albert Street, Auckland (09) 377 8930 or may be inspected at the same address.

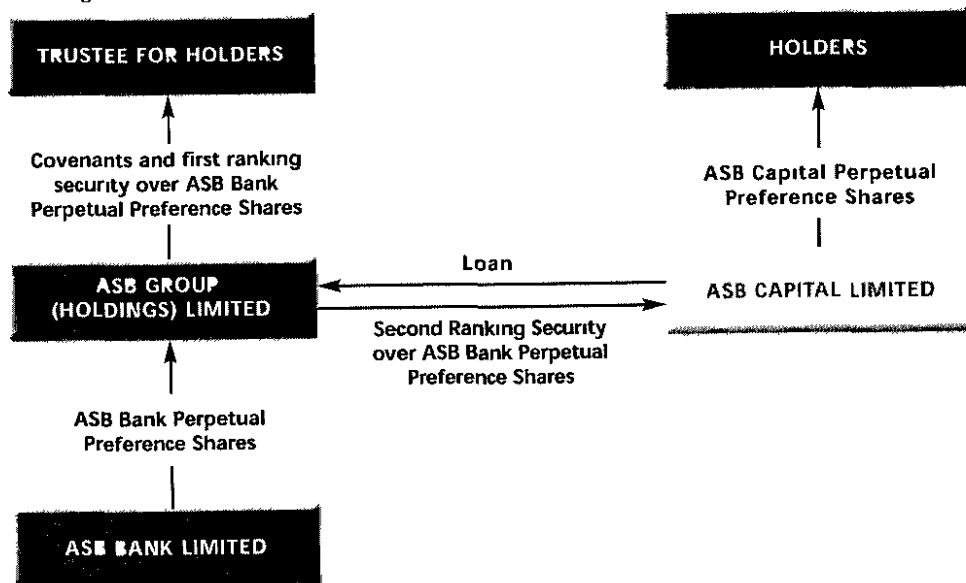
Steps in the Transaction

The principal features of the transaction are:

- ASB Capital will offer and issue the Perpetual Preference Shares to New Zealand residents. The terms of the Perpetual Preference Shares are outlined under the heading *Terms of Perpetual Preference Shares* on page 17.
- ASB Capital will lend the proceeds of the issue of the Perpetual Preference Shares to ASB Group (Holdings). The terms of that loan are outlined under the heading *Terms of ASB Capital Loan to ASB Group (Holdings)* on page 18.
- ASB Group (Holdings) will apply the proceeds of this loan from ASB Capital to subscribe for ASB Bank Perpetual Preference Shares. The terms of the ASB Bank Perpetual Preference Shares are outlined under the heading *Terms of ASB Bank Perpetual Preference Shares* on page 19.
- ASB Group (Holdings), the Trustee and ASB Capital are party to the Trust Deed under which ASB Group (Holdings) gives covenants to the Trustee for the benefit of holders of the Perpetual Preference Shares and grants security over the ASB Bank Perpetual Preference Shares in favour of the Trustee. The terms of the Trust Deed are outlined under the heading *Terms of Trust Deed* on page 19.

Transaction Structure

The diagram sets out the structure of the transaction



Terms of Perpetual Preference Shares

The terms of the Perpetual Preference Shares are set out in Article 4 of the Constitution. Article 4 of the Constitution is reproduced in full on page 30. The important terms of the Perpetual Preference Shares are:

Dividend The Perpetual Preference Shares carry the right to a dividend payable quarterly in arrears. The aggregate of cash dividends paid and imputation credits will equal the Dividend Rate.

Cancellation of dividends The Board has the right to cancel the payment of any dividend or dividends on the Perpetual Preference Shares. The Board may do that if for any reason it determines that dividends should not be paid, or if ASB Bank or Commonwealth Bank have given notice to ASB Capital that dividends should not be paid.

If a dividend or dividends are cancelled, the obligation of ASB Capital to pay and the right of holders of Perpetual Preference Shares to receive that dividend or dividends is cancelled absolutely and for all time. In this event, ASB Capital will not be able to pay dividends or make any Distributions to ordinary shareholders until two consecutive dividend payments have been made in respect of the Perpetual Preference Shares. However, ASB Bank will remain free to pay dividends to its ordinary shareholders unless ASB Bank cancels dividends on the ASB Bank Perpetual Preference Shares.

Perpetual The Perpetual Preference Shares have no fixed term and are not repayable or redeemable by ASB Capital in any circumstances. Perpetual Preference Share holders may call for payment of the Issue Price only in the event of a liquidation of ASB Capital. The Perpetual Preference Shares may however be purchased by Commonwealth Bank Subsidiary at the discretion of Commonwealth Bank Subsidiary in the circumstances set out under the heading *Buy Out Right* (see next column).

Voting The holders of Perpetual Preference Shares have no right to receive notice of, attend or vote at meetings of shareholders of ASB Capital or of any other Commonwealth Bank Group company except in the limited

circumstances set out in the full terms of the Perpetual Preference Shares as set out in the Constitution.

Rights in liquidation In a liquidation of ASB Capital, a holder of Perpetual Preference Shares will be entitled to receive in priority to the rights of holders of ordinary shares in ASB Capital, both the Issue Price in respect of the Perpetual Preference Shares held by that holder and any dividends then payable and not cancelled, but will not be entitled to participate further in the assets of ASB Capital. Holders may however have certain rights against ASB Group (Holdings) under the Trust Deed. See the provisions under the heading *Terms of Trust Deed* on page 19.

Buy-out Right Commonwealth Bank Subsidiary may require holders of Perpetual Preference Shares to transfer those Perpetual Preference Shares to Commonwealth Bank Subsidiary for a price per share equal to the Issue Price plus dividends accrued but unpaid (unless dividends have been cancelled). Commonwealth Bank Subsidiary may only do this:

- five years or more after the Perpetual Preference Shares are issued, or
- at any earlier time if there occurs any change in law or interpretation or application of law (including as to taxation) or in any directive or the like by a Regulatory Authority or other Government agency which materially adversely affects the benefits of the Perpetual Preference Shares to ASB Capital, ASB Bank or Commonwealth Bank.

and must give holders of Perpetual Preference Shares at least 90 days prior notice of such transfer. Commonwealth Bank Subsidiary may give notice in respect of all Perpetual Preference Shares or a specified proportion of the Perpetual Preference Shares held by each holder.

Transfer The Perpetual Preference Shares are transferable to other persons without restriction except as provided in Article 4.18 of the Constitution (see page 35).

Terms of ASB Capital Loan to ASB Group (Holdings)

ASB Capital will advance to ASB Group (Holdings) the proceeds of the issue of the Perpetual Preference Shares. The full terms of that loan are recorded in the Loan Agreement, a copy of which may be obtained in the manner specified on page 15.

The important terms are:

- Interest is payable at the Dividend Rate quarterly, the first interest payment date being 15 February 2003.
- The loan is repayable only in the event of the liquidation of ASB Group (Holdings). However, if ASB Group (Holdings) receives any amount other than dividends in respect of the ASB Bank Perpetual Preference Shares, ASB Group (Holdings) is required to pay that amount to ASB Capital in reduction of the loan (unless the Trustee requires it to be paid to the Trustee instead).
- The loan is limited in recourse to the ASB Bank Perpetual Preference Shares held by ASB Group (Holdings) and to any monies received by ASB Group (Holdings) in respect of those shares. This means that if ASB Capital takes action to recover the loan or interest on it from ASB Group (Holdings), then ASB Capital can have recourse **only** to the ASB Bank Perpetual Preference Shares and to any monies received by ASB Group (Holdings) in respect of those shares and cannot have recourse to any other assets of ASB Group (Holdings).
- The loan is secured by a security over the ASB Bank Perpetual Preference Shares. This is a second ranking security, ranking after the security in favour of the Trustee referred to under the heading *Terms of the Trust Deed* on page 19.

Terms of ASB Bank Perpetual Preference Shares

The full terms of the ASB Bank Perpetual Preference Shares are set out on page 38. Important terms are:

- Dividends are payable at the rate determined from time to time by the directors of ASB Bank. However, if certain events of default occur, dividends are payable at the same rate as applies to the Perpetual Preference Shares.
- Dividends may be cancelled by the board of ASB Bank.
- In a liquidation of ASB Bank, the ASB Bank Perpetual Preference Shares would rank ahead of ordinary shares of ASB Bank, but after all other shareholders and creditors of ASB Bank.
- The terms of the ASB Bank Perpetual Preference Shares are otherwise similar to the terms of the Perpetual Preference Shares.

Terms of Trust Deed

The Trust Deed is between ASB Group (Holdings), ASB Capital, and the Trustee, which acts as trustee for holders from time to time of the Perpetual Preference Shares. Important terms of the Trust Deed are:

- **Dividends on Perpetual Preference Shares** ASB Group (Holdings) covenants that provided a dividend on the Perpetual Preference Shares is not cancelled (see *Cancellation of Dividends* on page 17) and that dividend is not paid within five Business Days after the relevant dividend payment date, ASB Group (Holdings) will pay an amount equal to the dividend to the Trustee for the benefit of holders of Perpetual Preference Shares. However, ASB Group (Holdings) is not required to do that if ASB Bank or Commonwealth Bank has given ASB Capital a notice to the effect that dividends should be cancelled.

■ Capital of Perpetual Preference

Shares ASB Group (Holdings) covenants that if a liquidation of ASB Capital is commenced and within one year after that liquidation commences, holders of the Perpetual Preference Shares have not received back the Issue Price plus dividends accrued but unpaid (and not cancelled) at the date that liquidation commenced, ASB Group (Holdings) will pay that amount to the Trustee for the benefit of holders of the Perpetual Preference Shares. However, ASB Group (Holdings) will not be required to do this unless and until a liquidation of ASB Bank has also commenced.

- **Limited recourse** The obligations of ASB Group (Holdings) to the Trustee are limited in recourse to the ASB Bank Perpetual Preference Shares held by ASB Group (Holdings) and to any monies received by ASB Group (Holdings) in respect of those shares. That means that if the Trustee takes action against ASB Group (Holdings), the Trustee can have recourse **only** to the ASB Bank Perpetual Preference Shares and to any monies received by ASB Group (Holdings) in respect of those shares and cannot have recourse to any other assets of ASB Group (Holdings).

- **Security** ASB Group (Holdings) grants to the Trustee a first ranking security over the ASB Bank Perpetual Preference Shares to secure the covenants given by ASB Group (Holdings) to the Trustee.

A more detailed review of the trust deed is set out under the heading *Summary of the Trust Deed* on page 42.

Answers to Important Questions

What sort of investment is this?

The securities offered are perpetual preference shares to be issued by ASB Capital. The principal terms of the Perpetual Preference Shares are:

Dividend The Perpetual Preference Shares carry the right to a dividend payable quarterly in arrears. The aggregate of cash dividends paid and imputation credits will equal the Dividend Rate.

Cancellation of dividends The Board has the right to cancel the payment of any dividend or dividends on the Perpetual Preference Shares. The Board may do that if for any reason it determines that dividends should not be paid or if ASB Bank or Commonwealth Bank gives notice to ASB Capital that dividends should not be paid.

If a dividend or dividends are cancelled, the obligation of ASB Capital to pay and the right of holders of Perpetual Preference Shares to receive that dividend or dividends is cancelled absolutely and for all time. In this event, ASB Capital will not be able to pay dividends or make any Distributions to ordinary shareholders until two consecutive dividend payments have been made in respect of the Perpetual Preference Shares. However, ASB Bank remains free to pay dividends to its ordinary shareholders unless ASB Bank cancels dividends on the ASB Bank Perpetual Preference Shares.

Perpetual The Perpetual Preference Shares have no fixed term and are not repayable or redeemable by ASB Capital in any circumstances. Perpetual Preference Share holders may call for repayment of the Issue Price only in the event of a liquidation of ASB Capital. The Perpetual Preference Shares may however be purchased by Commonwealth Bank Subsidiary at the discretion of Commonwealth Bank Subsidiary in the circumstances set out under the heading *Buy Out Right* below.

Voting The holders of Perpetual Preference Shares have no right to receive notice of, attend or vote at meetings of shareholders of ASB Capital or of any other Commonwealth Bank Group company except in the limited circumstances set out in the full terms of the Perpetual Preference Shares as set out in the Constitution.

Rights in liquidation In a liquidation of ASB Capital, a holder of Perpetual Preference Shares will be entitled to receive, in priority to the rights of holders of ordinary shares of ASB Capital, the Issue Price in respect of the Perpetual Preference Shares held by that holder and any dividends then payable and not cancelled, but will not be entitled to participate further in the assets of ASB Capital. Holders may however have certain rights against ASB Group (Holdings) under the Trust Deed. See the provisions under the heading *Terms of Trust Deed* on page 19.

Buy out Right Commonwealth Bank Subsidiary may require holders of Perpetual Preference Shares to transfer their Perpetual Preference Shares to Commonwealth Bank Subsidiary for a price per share equal to the Issue Price plus dividends accrued but unpaid (unless dividends have been cancelled). Commonwealth Bank Subsidiary may only do this:

- five years or more after the Perpetual Preference Shares are issued, or
- at any earlier time if there occurs any change in law or interpretation or application of law (including as to taxation) or in any directive or the like by a Regulatory Authority or other Government agency which materially adversely affects the benefits of the Perpetual Preference Shares to ASB Capital. ASB Bank or Commonwealth Bank and must give holders of Perpetual Preference Shares at least 90 days prior notice of such transfer. Commonwealth Bank Subsidiary may give notice in respect of all Perpetual Preference Shares or a specified proportion of the Perpetual Preference Shares held by each holder.

Transfer

The Perpetual Preference Shares are transferable to other persons without restriction except as provided in Article 4.18 of the Constitution (see page 35)

The above is a simplified and general description of some of the rights and obligations of holders of Perpetual Preference Shares. The full terms of the Perpetual Preference Shares are set out on page 30

Who is involved in providing it for me?

The issuer of the Perpetual Preference Shares is ASB Capital. The address of ASB Capital is Level 28, ASB Bank Centre, 135 Albert Street, Auckland. The promoters are ASB Bank and the directors of ASB Bank. The names of the directors of ASB Bank are set out on page 52. The address of ASB Bank is Level 28, ASB Bank Centre, 135 Albert Street, Auckland. ASB Capital is a single purpose company which has been formed for the sole purpose of issuing the Perpetual Preference Shares. It carries on no other business or activities. No member of the Commonwealth Bank or ASB Group of companies, including Commonwealth Bank, CBA Funding (NZ) Limited, ASB Group (Holdings) or ASB Bank guarantees amounts payable in respect of the Perpetual Preference Shares.

The trustee under the Trust Deed is The New Zealand Guardian Trust Company Limited, Royal & SunAlliance Centre, 48 Shortland Street, P.O. Box 1934, Auckland.

How much do I pay?

The Issue Price for the Perpetual Preference Shares is NZ\$1.00 per Perpetual Preference Share, which must be paid in full by applicants at the time of application. Payments are to be sent to ASB Capital, C/- ASB Securities Limited, P.O. Box 35, Auckland, or in the case of a firm allocation, to the office of the member firm of the NZSE which provided that allocation, in time for that member firm to forward it to the Registrar prior to the Closing Time. The minimum application amount is \$5000 of Perpetual Preference Shares.

What are the charges?

Investors are not required to pay any charges to ASB Capital in relation to the Offer.

Members of the NZSE and approved financial intermediaries will receive a brokerage fee of 1% of the Issue Price in respect of Perpetual Preference Shares allotted pursuant to applications submitted by investors (other than Institutional Investors) bearing their stamp.

A firm allocation fee of 0.50% of the Issue Price will be payable to members of the NZSE and approved financial intermediaries in respect of Perpetual Preference Shares allotted pursuant to applications submitted by investors (other than Institutional Investors) under firm allocations.

Members of the NZSE and approved financial intermediaries will receive a brokerage fee of 0.50% of the Issue Price in respect of Perpetual Preference Shares allotted pursuant to applications bearing their stamp submitted by Institutional Investors (other than those Institutional Investors detailed in a distribution exclusion list to be determined by the Lead Managers and distributed to members of the NZSE).

Details of the expenses of the Offer are set out on page 52.

What returns will I get?

Holders of Perpetual Preference Shares may receive dividends paid by ASB Capital as outlined on page 17 under the heading *Dividend*. Holders of Perpetual Preference Shares may also benefit from an increase (if any) in the market price of their Perpetual Preference Shares if they sell them. The market price of Perpetual Preference Shares may also decline and holders may receive less than the Issue Price they paid for their Perpetual Preference Shares.

The return to holders of Perpetual Preference Shares will be a combination of

- dividends paid on the Perpetual Preference Shares and
- the price the holder receives if the holder chooses to sell the holder's Perpetual Preference Shares or
- the buy out price of the Perpetual Preference Shares if the Perpetual Preference Shares are bought in accordance with the provisions outlined under the heading *Buy out Right* on page 17 or
- in the event of the liquidation of ASB Capital and ASB Bank amounts which may be paid in respect of the Perpetual Preference Shares or the ASB Bank Perpetual Preference Shares (see the provisions set out under the heading *Terms of Trust Deed* on page 19)

In the ordinary course ASB Capital will be able to pay dividends in respect of the Perpetual Preference Shares only to the extent that ASB Bank makes payments to ASB Group (Holdings) in respect of the ASB Bank Perpetual Preference Shares and ASB Group (Holdings) makes payments to ASB Capital under the Loan Agreement. Accordingly the key factor which determines returns by way of dividend on the Perpetual Preference Shares is the continuing ability of ASB Bank to pay dividends on the ASB Bank Perpetual Preference Shares. The Perpetual Preference Shares carry a dividend at the rate recorded under the heading *Dividend* on page 17. However dividends may be cancelled at the discretion of the Board or at the request of ASB Bank or Commonwealth Bank. Accordingly no specific return is promised to or enforceable by subscribers. If dividends on the Perpetual Preference Shares are paid they will be paid quarterly on 15 February 15 May 15 August and 15 November or if that day is not a Business Day on the next Business Day ASB Capital is the person legally liable to pay any dividends on the Perpetual Preference Shares.

Taxes may affect the return to investors. Dividends will be subject to New Zealand withholding and income tax but the investor's liability in respect of such taxes may be reduced or satisfied to the extent the dividends have imputation credits attached. Wherever possible dividends paid by ASB Capital will have the maximum allowable imputation credits attached. In addition in some cases gains on the sale of Perpetual Preference Shares may be taxable to investors. Further information relating to tax is set out on page 28. Investors should obtain their own advice regarding this Offer and in respect of subscribing for and holding Perpetual Preference Shares.

What are my risks?

Specific risks relating to the Offer

The Perpetual Preference Shares are perpetual and have no fixed term. Accordingly the only way in which a holder of Perpetual Preference Shares can crystallise that holder's investment (unless Commonwealth Bank Subsidiary exercises its buy out right - see the provisions under the heading *Buy-out Right* on page 17) is to sell the Perpetual Preference Shares. The price a holder obtains will depend on the market for Perpetual Preference Shares at the time of sale.

If ASB Capital is liquidated the Issue Price of the Perpetual Preference Shares is required to be repaid to holders by ASB Capital. However the ability of ASB Capital to make any such payment will depend on ASB Bank making payment to ASB Group (Holdings) in respect of the ASB Bank Perpetual Preference Shares and ASB Group (Holdings) making payment to

ASB Capital under the Loan Agreement ASB Bank is not liable to make any payment on account of capital in respect of the ASB Bank Perpetual Preference Shares unless and until ASB Bank is in liquidation Should ASB Bank be liquidated the ASB Bank Perpetual Preference Shares rank ahead of ordinary shares of ASB Bank but after the rights of all creditors and if at any time there are other classes of shares of ASB Bank after the holders of those shares Risks which may affect the financial position of ASB Bank are recorded below under the heading *ASB Bank's Key Risks*

Dividends payable in respect of the Perpetual Preference Shares may be cancelled at the discretion of the Board In addition each of ASB Bank and Commonwealth Bank can give notice to ASB Capital that dividends on the Perpetual Preference Shares should not be paid and it is very likely that if it receives such a notice the Board would cancel the payment of dividends

A holder of Perpetual Preference Shares may on sale or other termination of that holder's investments receive less than the Issue Price That could occur if a holder sells that holder's Perpetual Preference Shares for less than the Issue Price or if in a liquidation of ASB Bank there were insufficient funds to repay the ASB Bank Perpetual Preference Shares which constitute security under the Trust Deed

ASB Capital is a limited liability company and accordingly holders of Perpetual Preference Shares are not required to pay money to any person as a result of the insolvency of ASB Capital

In the event of a liquidation of ASB Capital the claims of any creditors of ASB Capital would rank ahead of the claims of holders of Perpetual Preference Shares The claims of holders of Perpetual Preference Shares would rank equally amongst themselves

ASB Bank's Key Risks

Participants operating in the banking industry are exposed to many risks The primary risks are credit market (currency interest rate equity) liquidity and operational risk Some of the key risk elements that may affect ASB Bank's performance are set out below

Credit Risk Given that ASB Bank's core business is providing lending facilities to customers there is a credit risk associated with customers not meeting their obligations under such lending facilities Credit risk also arises from ASB Bank assuming contingent liabilities taking equity participations participating in financial market transactions and assuming underwriting commitments All of these activities have an element of risk associated with counterparties either not meeting their obligations or transactions deteriorating in credit quality to the extent that the likelihood of default increases In the event of default the financial performance of ASB Bank could be adversely impacted Industry and product concentrations are managed within established credit policies and underwriting standards The Bank also has formal provisioning policies that are monitored and reviewed by both management and the board of ASB Bank

Currency Risk ASB Bank is exposed to fluctuations in both the New Zealand and foreign currencies arising from

- the day to day buying and selling of foreign currency for clients
- principal trading positions assumed by ASB Bank itself
- deposit and lending activity in foreign currencies and
- offshore funding by ASB Bank

Such fluctuations could materially impact on ASB Bank's financial performance ASB Bank monitors and manages this risk through its Treasury Department As at 30 June 2002 aggregate foreign currency exposure amounted to 0.30% of ASB Bank's equity

Interest Rate Risk Interest rate risks arise from holding assets and liabilities including off balance sheet instruments which may mature or reprice in different periods. The Bank is exposed to some degree of timing difference risk as the interest rates on the money it lends may be reset for a different period to that for which the interest rates on the money it borrows reset. This exposes the Bank to fluctuations in interest rates between these periods.

The Bank reduces interest rate risk by seeking to match the repricing of assets and liabilities. Sensitivity to interest rate changes is monitored against limits set by the board of ASB Bank.

Liquidity Risk Liquidity risk arises if the Bank is unable to generate or obtain sufficient funds at a reasonable price to meet its daily financial commitments. The Bank's financial performance and credit rating may then be adversely impacted. The Bank monitors this risk primarily by forecasting future daily cash requirements. The Bank also holds assets that can be converted into cash at short notice.

Operational Risk Operational risk is the risk of direct or indirect loss resulting from either external events or inadequate or failed internal processes, people and systems. Essentially, operational risk is any possible exposure to loss the Bank may face which is caused by any operational factor other than credit, liquidity or market risk.

A formal reporting structure and policy approved by the board of ASB Bank for the management of operational risk is in place.

Reliance on Auckland geographic region \$12.1 billion of credit exposures (51% of total credit exposures) are concentrated in the Auckland geographic region. Credit losses and bad debt write offs exceeding provisions may result if there was an economic downturn or property market downturn in the Auckland region (refer to Note 39 of the ASB Bank Financial Statements on page 82).

Reliance on certain industries

Housing

The housing industry accounts for a major proportion of ASB Bank's credit exposures – \$13.0 billion of credit exposures (54% of total credit exposures). If there was a significant downturn in the housing industry this could cause an associated reduction in the total value of the Bank's security over residential properties (refer to Note 39 of the ASB Bank Financial Statements on page 82).

This creates increased credit risk if ASB Bank's customers fail to meet their lending obligations.

Agriculture

ASB Bank has over \$2 billion of credit exposures in the agricultural sector. If there was a significant downturn within the agricultural sector there is the potential for an increase in credit losses and bad debt write offs which would affect ASB Bank's profitability (refer to Note 39 of the ASB Bank Financial Statements on page 82).

ASB Bank has clearly defined credit policy guidelines which are aimed at reducing the potential exposure to risk in these areas.

For further information refer to Note 39 of the ASB Bank Financial Statements on page 82.

Other operational and event risks Demand for ASB Bank's products and services is partially dependent upon the performance of the New Zealand and world economies. Reduced or negative growth in these economies generally, or reduced demand for banking products and services, could have a material adverse effect on the financial results of ASB Bank.

The Bank's strategic plans are reviewed on an ongoing basis to take into account the changing environment worldwide and in New Zealand

Competition in the banking industry ASB Bank faces competition from both existing financial service providers and new entrants. Customers are now able to choose from a greater number of providers in all of the areas of financial services provided by ASB Bank including the residential lending market. Risks that may affect ASB Bank's ability to obtain new and retain existing customers thereby affecting the profitability of ASB Bank include but are not limited to the relative position of ASB Bank against its competitors in the

- pricing and performance of products and services
- convenience and ease of access to products and services
- level and efficiency of service provided and
- ability to develop new products and service to meet the changing needs of customers

ASB Bank is committed to providing customer service to both new and existing customers and is a recognised leader in this area

Legal and Regulatory Environment ASB Bank considers that the legal and regulatory framework governing the banking industry in New Zealand although well established is still subject to change from time to time and has the potential to adversely impact ASB Bank's financial performance

Business Continuity Management ASB Bank's core processing operations are based in Auckland. Should a natural disaster or a specific event such as a prolonged power shortage occur in the Auckland region ASB Bank would find it difficult to continue its business operations. However these risks have been considered and disaster specific contingency strategies and plans have been developed to ensure ASB Bank's critical operations could continue

Can the investment be altered?

The full terms of the Offer are set out in this Offer Document. Those terms and the terms and conditions on which applicants may apply for the Perpetual Preference Shares may be altered by an amendment to this Offer Document by ASB Capital. Details of any such amendment must be filed with the Companies Office.

These terms are described under the headings *What sort of investment is this?* and *How much do I pay?* in this section of the Offer Document.

The rights attaching to the Perpetual Preference Shares are governed by the Constitution. The Constitution (and any rights or privileges attaching to Perpetual Preference Shares) may only be altered with the approval of

- the Board and
 - an ordinary resolution of the holder of the ordinary shares in ASB Capital and
 - a special resolution of the holders of the Perpetual Preference Shares
- and provided that any amendment
- is approved by ASB Bank and
 - will not affect the classification of the Perpetual Preference Shares under the rules of any Regulatory Authority

Section 117 of the Companies Act restricts ASB Capital from taking any action that affects the rights attached to Perpetual Preference Shares unless that action has been approved by a special resolution of shareholders whose rights are affected by the action. However the issue of further shares ranking equally with or in priority to the Perpetual Preference Shares is deemed not to be an action affecting the rights attaching to the Perpetual Preference Shares.



How do I cash in my investment?

Perpetual Preference Shares are tradeable without restriction subject only to compliance with relevant laws the Constitution and the continuation of an active trading market. In ASB Capital's opinion there is likely to be an established market for the Perpetual Preference Shares on completion of the Offer. No charges are payable to ASB Capital for any sale of Perpetual Preference Shares. However normal brokerage may be payable to the broker acting in the sale.

Listing

Application has been made to the NZSE for permission to list the Perpetual Preference Shares. All requirements of the NZSE relating to the listing that can be complied with on or before the date of this Offer Document have been duly complied with. However the NZSE accepts no responsibility for any statement in this Offer Document.

Who do I contact with enquiries about my investment?

Enquiries in relation to the Perpetual Preference Shares can be directed to

Sharyn Rea/Lianne Davis ASB Securities Limited
Level 13
ASB Bank Centre
135 Albert Street
Auckland
Phone 0800 ASB BOND (0800 272 266)
Email sharyn.rea@asbbank.co.nz/lianne.davis@asbbank.co.nz

Is there anyone to whom I can complain if I have problems with the investment?

Complaints about the Perpetual Preference Shares can be made to

Peter Hall ASB Capital Limited
Level 28
ASB Bank Centre
135 Albert Street
Auckland
Phone +64 9 374 8605
Facsimile +64 9 306 0085
Email peter.hall@asbbank.co.nz

Complaints may also be made to the Trustee

The New Zealand Guardian Trust Company Limited
Royal & SunAlliance Centre
48 Shortland Street
PO Box 1934
Auckland
Phone +64 9 377 7300
Facsimile +64 9 377 7477

There is no Ombudsman to whom complaints about the Perpetual Preference Shares can be made.

What other information can I obtain about this investment?

Offer Document

Other information about the Perpetual Preference Shares and ASB Capital is contained or referred to in the other sections of this Offer Document

This Offer Document and other documents relating to ASB Capital (including the Constitution and the material contracts referred to on page 52) may be inspected without fee during normal business hours at ASB Capital's registered office at Level 28 ASB Bank Centre 135 Albert Street Auckland. These documents are also filed in a public register which may be inspected for a fee at the Companies Office Business and Registries Branch Ministry of Economic Development on its website www.companies.govt.nz. Where documents are not available on the website a request for the documents can be made by contacting the Companies Office Contact Centre on 0508 266 726.

Annual Information

ASB Capital will provide to holders of Perpetual Preference Shares the annual and half yearly reports required by the Companies Act and the Listing Rules.

Financial Statements and Other Information

Holders of Perpetual Preference Shares can obtain copies of this Offer Document and the financial statements referred to in this Offer Document from ASB Capital free of charge by request either in writing or by telephone. Holders of Perpetual Preference Shares can also obtain copies of the following documents from ASB Capital by request either in writing or by telephone for a prescribed fee:

- the most recent annual report (once produced) of ASB Capital
- the most recent financial statements (once produced) of ASB Capital
- a comparison of actual results against the forecast statement of cash flows set out on page 50 and
- the Trust Deed

Other Information

Tax Information

General The following statements relate only to New Zealand withholding tax and are of a general nature. The statements are based on tax legislation and interpretations of tax legislation current at the date of this Offer Document. The statements are not intended to deal with all relevant considerations or possible cases. No other taxation considerations are discussed. Prospective investors should seek their own taxation advice in relation to their own taxation position.

New Zealand Resident Shareholders

ASB Capital will assume that holders of Perpetual Preference Shares are New Zealand tax residents unless it is satisfied to the contrary and will act accordingly. Any liability for taxation is the responsibility of the holder of Perpetual Preference Shares.

Dividends distributed to residents

Under New Zealand's dividend imputation system, corporate tax paid by a New Zealand tax resident company gives rise to tax credits (known as imputation credits) which can be attached to dividends paid by that company to its shareholders. Those imputation credits can then be used by shareholders to offset their own personal income tax liability on those dividends. Dividends paid to New Zealand tax resident shareholders are ordinarily subject to resident withholding tax. However, if the dividend is fully imputed, no resident withholding tax will be deducted.

A deduction for resident withholding tax on dividends will not be made where the recipient of the payment holds and produces a current certificate of exemption or where one of the other exemptions specified in the Income Tax Act 1994 applies. When required to do so, ASB Capital will make resident withholding tax deduction unless the holder of the shares can satisfy ASB Capital that the deduction is not required by law.

ASB Capital's intention is that dividends paid to holders of Perpetual Preference Shares will be fully imputed. Resident withholding tax may be deducted from dividends paid on the Perpetual Preference Shares to the extent that the dividend is not fully imputed (and where the shareholder has not provided ASB Capital with a copy of a valid certificate of exemption for resident withholding tax purposes). Non-resident withholding tax may also be deducted from dividends paid to non residents (although it is the intention only to issue Perpetual Preference Shares to New Zealand residents).

ASB Capital may at its sole discretion pay supplementary dividends to shareholders resident for tax purposes outside New Zealand.

Example of tax calculation

The tax treatment of dividends paid on the Perpetual Preference Shares for personal income tax purposes is illustrated by the following example

This example assumes that the investor (a New Zealand resident for tax purposes) owns \$5 000 worth of Perpetual Preference Shares (5 000 shares at \$1 00). The Dividend Rate is assumed to be 7 00% for the purposes of this example made up of cash payments of 4 69% and imputations credits of 2 31%. It is also assumed the current tax law prevails the dividends are fully imputed and the investor is able to fully utilise the imputation credits attached

On this basis the investor's dividend statements for one year for the four combined quarterly dividend payments would read

Gross Dividend	\$350 00
Imputation Credits Attached	\$115 50
Cash Dividend Paid	\$234 50

For an investor on a 39% marginal tax rate, the impact on that investor's annual tax calculation would be

Taxable Dividend Income	\$350 00
Tax @ 39%	\$136 50
Less imputation credits	\$115 50
Net tax to pay in respect of dividend	\$21 00

An investor on a marginal 39% tax rate in an income year pays an additional \$21 00 in tax with respect to the dividend which reduces the after tax dividend return to 4 27%. This is the same return as the investor would have received from investing in a bond paying pre tax interest of 7 00%

For an investor on a 33% marginal tax rate the impact on that investor's annual tax calculation would be

Taxable Dividend Income	\$350 00
Tax @ 33%	\$115 50
Less imputation credits	\$115 50
Net tax to pay in respect of dividend	nil

An investor on a marginal 33% tax rate in an income year pays no more tax with respect to the dividend income

For an investor on a 19 5% marginal tax rate, (after receipt of the dividend) the impact on that investor's annual tax calculation would be

Taxable Dividend Income	\$350 00
Tax @ 19 5%	\$68 25
Less imputation credits	\$115 50
Excess imputation credits/tax credit	\$47 25

The excess imputation credits of \$47 25 can be used to reduce the investor's income tax liability (derived from other income sources) if the investor has other taxable income that income year. Where the excess imputation credits can be used in full in that income year the effective after tax return from the Perpetual Preference Shares is \$281 75 or 5 63%.

Imputation credits which are not used in an income year may be converted into net losses (at varying rates depending on investors particular circumstances) and may be available for offset against taxable income in future income years



Terms of Perpetual Preference Shares

There are set out below the provisions of the Constitution relevant to the Perpetual Preference Shares. The numbering of the relevant provisions set out below reflects the provisions of the Constitution.

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Constitution, unless the contrary intention appears:

ASB means ASB Bank Limited

ASB Group (Holdings) means ASB Group (Holdings) Limited

Act means the Companies Act 1993

Article means a provision of this Constitution as amended or added to from time to time

Company means ASB Capital Limited

Constitution means this Constitution as amended or added to from time to time

'director' means a person holding office as a director of the Company and where appropriate includes an alternate director

directors means all or some of the directors acting as a board and the term **board** shall be construed accordingly

Holding Company means CBA Funding (NZ) Limited

register means the register of members to be kept pursuant to the Act

ordinary share means an ordinary share issued or to be issued by the Company as the case may require

preference share means a perpetual preference share issued or to be issued by the Company as the case may require

'share' means an ordinary share, a preference share or any class of share in the capital of the Company

shareholder means any person who is the registered holder of a share

special resolution means a resolution approved by a majority of seventy five per cent (75%) of the votes of those shareholders entitled to vote and voting on the issue

1.4 Amendment of Constitution

- (a) Subject to the Act, this Constitution may be altered at any time by way of a special resolution
- (b) An application to change the name of the Company is not an amendment of this Constitution for the purposes of Article 1.4(a) above and may be made by a director with the prior approval of the Holding Company
- (c) Without limiting Articles 4.25 and 4.28, this Constitution shall not be altered or revoked without the written approval of ASB

1.5 Rights of Preference Shares

The rights, privileges, limitations and conditions attaching to the preference shares shall be as set out in Article 4. If there is any conflict between a provision in Article 4 and any other provision of this Constitution, the provision in Article 4 shall prevail.

2 ISSUES OF SHARES

2.4 Issue of further shares

The issue of further shares ranking equally with or in priority to any existing shares whether as to voting rights distributions or otherwise is deemed not to be an action affecting the rights attaching to the existing shares

4 PREFERENCE SHARES

4.1 Definitions

In Articles 4.1 to 4.30 of this Constitution unless the context otherwise requires

Benchmark Rate on any day means the rate per annum expressed on a percentage yield basis and rounded up to the nearest two decimal places which is

- (a) the average of the bid and offered swap rate displayed at or about 11am on that day on page FISSWAP (or any successor page) of the Reuters monitor screen for an interest rate swap with a one year term or
- (b) if a rate is unable to be determined in accordance with paragraph (a) or if the Company forms the view that the rate so determined is not an accurate reflection of market rates the average of the mean and bid offered swap rates quoted by three registered banks in New Zealand other than ASB at or about 11am on that day for an interest rate swap with a one year term

Business Day means any day other than a Saturday Sunday or a statutory public holiday in New Zealand

Buyout Notice has the meaning in Article 4.21

Buyout Price in respect of each preference share at any date means the aggregate of

- (a) the Issue Price
- (b) subject to Article 4.7 Dividends payable on that preference share as at that date calculated on a daily basis from the end of the most recent Dividend Period to that date

Commonwealth Bank means Commonwealth Bank of Australia

Commonwealth Bank Subsidiary means the Holding Company or any wholly owned subsidiary of Commonwealth Bank (which is not ASB or a subsidiary of ASB) to which the Holding Company assigns its rights under Articles 4.21 to 4.24

Distribution has the meaning set out in section 2(1) of the Act

Dividend means any dividend on the preference shares payable pursuant to Article 4.2

Dividend Amount in respect of a Dividend Period means a sum in respect of each preference share calculated in accordance with the following formula

$$\text{Issue Price} \times \frac{\text{Dividend Rate}}{4} \times (1-t)$$

Where

Dividend Rate is

- (a) in respect of each Dividend Period commencing after 15 November 2003 the Benchmark Rate on the Relevant Reset Date plus the Margin (adjusted to an equivalent quarterly rate)
- (b) in respect of each Dividend Period ending on or before 15 November 2003 the greater of

- (i) the Benchmark Rate on the Rate Set Date plus the Margin (adjusted to an equivalent quarterly rate) or
- (ii) 7.4 percent per annum

t is the basic rate of income tax applicable to the Company under Schedule 1 of the Tax Act

provided that the Dividend Amount in respect of the first Dividend Period shall be an amount calculated in accordance with the following formula

$$X \times \frac{Y}{91.25}$$

where

X is an amount calculated in accordance with the first formula set out in this definition

Y is the period from and including the Issue Date to but excluding 15 February 2003

Dividend Cancellation Notice means a notice given by the board pursuant to Article 4.7

Dividend Payment Date means 15 November, 15 February, 15 May and 15 August in each year

Dividend Period means each period commencing on and including a Dividend Payment Date and ending on but excluding the next Dividend Payment Date or in respect of the first Dividend Period the period from and including the Issue Date to but excluding 15 February 2003

Dividend Resumption Notice means a notice given pursuant to Article 4.9

Fully Credited means in relation to a Dividend that Imputation Credits are validly attached to the Dividend so that the imputation ratio of the Dividend is the maximum imputation ratio permitted by law

Holder in respect of a preference share means a person whose name is entered in the Share Register as the holder for the time being of that preference share

Imputation Credit means an imputation credit as defined in section OB.1 of the Tax Act

Issue Date in respect of a preference share means the date on which that preference share is issued

Issue Price means \$1 in respect of each preference share

Margin means 1.3 percent per annum

Rate Set Date means a date specified by the Company being the Business Day following the closing date of an offer of preference shares to the public

Reset Date means 15 November 2003 and each 15 November thereafter

Relevant Reset Date means in respect of a Dividend Period if that Dividend Period begins on a Reset Date that Reset Date and if that Dividend Period does not begin on a Reset Date the Reset Date immediately preceding that Dividend Period

Regulatory Authority means the Reserve Bank of New Zealand, the Australian Prudential Regulation Authority or any other authority having jurisdiction in respect of banking in Australia or New Zealand

Share Registrar means an agent appointed by the Company to keep the register of the preference shares

Tax Act means the Income Tax Act 1994

Trust Deed means a trust deed dated 30 October 2002 between the Company ASB Group (Holdings) and The New Zealand Guardian Trust Company Limited whereby the Company and ASB Group (Holdings) give certain covenants for the benefit of Holders

Whenever in Articles 4.1 to 4.30 there is a reference to a date and that date is not a Business Day the reference shall be deemed to be to the next day which is a Business Day

4.2 Dividend

The preference shares carry the right to a dividend payable in priority to other Distributions in accordance with Article 4.6 in respect of each Dividend Period equal to the Dividend Amount for that Dividend Period

4.3 Dividend to be Fully Credited

All Dividend Amounts shall be Fully Credited. The only consequence of or remedy for a Dividend Amount not being Fully Credited shall be the payment by the Company of the amount referred to in Article 4.4

4.4 Imputation Credit shortfall

If all or any part of a Dividend Amount is not Fully Credited the Company shall pay to each Holder an amount equal to the shortfall in Imputation Credits of which Holders would otherwise have had the benefit. The amount payable under this Article 4.4

- (a) is due on the Dividend Payment Date of the Dividend Amount and to the extent paid substitutes for or replaces the corresponding obligation of the Company under Article 4.3 and
- (b) shall be regarded as a variation in the rate at which Dividends are calculated

4.5 Dividend Payment Date

If a Dividend is paid in respect of any Dividend Period it shall be paid on the Dividend Payment Date on which that Dividend Period ends

4.6 Dividends to have priority

Dividends shall rank for payment in priority to the rights in respect of dividends or other Distributions of all holders of other classes of shares of the Company

4.7 Cancellation of Dividends

Without limiting section 52(1) of the Act but subject to Article 4.8 the directors may by notice sent to Holders not later than five Business Days after the end of a Dividend Period cancel the payment of Dividends in respect of that Dividend Period and all subsequent Dividend Periods until such time as the board gives a Dividend Resumption Notice

4.8 Reasons for cancellation

The board may give a Dividend Cancellation Notice if

- (a) the board is not satisfied on reasonable grounds that immediately after payment of a Dividend the Company will satisfy the solvency test or
- (b) the board has for any other reason determined in its discretion that a Dividend or Dividends generally should not be paid or
- (c) ASB has given notice to the Company that the board of directors of ASB has determined that a Dividend or Dividends generally should not be paid or
- (d) Commonwealth Bank has given notice to the Company that the board of directors of Commonwealth Bank has determined that a Dividend or Dividends generally should not be paid

4 9 Dividend Resumption Notice

If the board has given a Dividend Cancellation Notice the board may at any time thereafter send notice to Holders to the effect that Dividends should again be paid. If such a notice is given Dividends shall again be payable as from and including the first Dividend Period commencing after the giving of that notice unless and until a further Dividend Cancellation Notice is given. If the board has given a Dividend Cancellation Notice following receipt from ASB or Commonwealth Bank of a notice of the nature referred to in Article 4 8(c) or 4 8(d) and the Company receives from the party which gave that notice a notice to the effect that Dividends should again be paid the board shall give a Dividend Resumption Notice unless the board makes a determination of the nature referred to in Article 4 8(a) or (b).

4 10 Effect of cancellation

If a Dividend Cancellation Notice is given any obligation of the Company to pay and any right of Holders to receive the Dividends referred to in Article 4 7 shall be cancelled absolutely. The preference shares are not cumulative.

4 11 Suspension period

If a Dividend Cancellation Notice is given then for the period from the date of that Dividend Cancellation Notice until the Company has paid in full Dividends for two consecutive Dividend Periods the Company shall not make any Distribution other than Dividends.

4 12 Capital

Each Holder shall have the right in a liquidation of the Company to payment in priority to the holders of other classes of shares of the Company of the Issue Price of the preference shares held by that Holder and (subject to Article 4 7) Dividends payable on those preference shares at the date of commencement of liquidation calculated on a daily basis from the end of the most recent Dividend Period to the date of commencement of liquidation.

4 13 Voting

Holders shall have no right to receive notice of attend or vote at meetings of shareholders of the Company other than meetings called under Articles 4 25 or 4 26.

4 14 Transfer

A Holder may subject to Article 4 18 transfer any preference share

- (a) under a system of transfer approved under section 7 of the Securities Transfer Act 1991 which is applicable to the Company
- (b) under any other share transfer system which operates in relation to the trading of securities on any stock exchange outside New Zealand on which preference shares are quoted and which is applicable to the Company or
- (c) by an instrument of transfer which complies with this Constitution

4 15 Systems of Transfer

A preference share which is disposed of in a transaction which complies with the requirements of a system of transfer authorised under Article 4 14(a) or 4 14(b) may be transferred in accordance with the requirements of that system. Where an instrument of transfer executed by a transferor outside New Zealand would have complied with the provisions of the Securities Transfer Act 1991 if it had been executed in New Zealand, it may nevertheless be registered by the Company if it is executed in a manner acceptable to the Company or the Share Registrar.

4 16 Instrument Requirements

An instrument of transfer of preference shares to which the provisions of Article 4 15 are not applicable shall

- (a) be in any common form or any other form approved by the Company or the Share Registrar, and
- (b) be signed or executed by or on behalf of the transferor.

4 17 Delivery of instrument

An instrument transferring preference shares must be delivered to the Company or to the Share Registrar together with such evidence (if any) as the Company or the Share Registrar reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the preference shares.

4 18 Refusal to register

Subject to section 84 of the Act (which imposes certain procedural requirements on a board), the board may refuse to register a transfer of any preference share if

- (a) the Company has a lien on the preference share;
- (b) the transferor fails to produce such evidence as the Company or the Share Registrar reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the preference share; or
- (c) registration of the transfer (together with registration of any further transfer or transfers then held by the Company and awaiting registration) would result in less than 5 000 preference shares standing in the name of the transferee,

provided that the board resolves to exercise its power under this Article within 30 Business Days after receipt of the relevant transfer and notice of the resolution is sent to the transferor and to the transferee within five Business Days of the resolution being passed by the board.

4 19 Transferor to remain Holder until registration

A transferor of a preference share is deemed to remain the Holder of the preference share until the name of the transferee is entered in the register in respect of the share.

4 20 Company to retain instruments

If the Company registers an instrument of transfer, it shall retain the instrument.

4 21 Compulsory Buyout

Subject to Article 4 22, Commonwealth Bank Subsidiary may give notice to all Holders in the manner specified in Article 12 (a) (Buyout Notice) requiring Holders to transfer their preference shares to Commonwealth Bank Subsidiary. A Buyout Notice shall take effect, and the Buyout Price shall be paid, on the day specified in the notice, being not less than 90 days and not more than 120 days after the date on which the notice is given.



4 22 Timing of Buyout Notice

A Buyout Notice may be given only

- (a) five years or more after the Issue Date or
- (b) at any earlier time if there has occurred any change in law (including any law relating to taxation) or in the interpretation or application thereof by any Court or governmental agency or in any directive regulation request or requirement of a Regulatory Authority or other governmental agency which materially adversely affects the benefits of the preference shares to the Company ASB or Commonwealth Bank

4 23 Effect of Buyout Notice

If Commonwealth Bank Subsidiary gives a Buyout Notice then

- (a) each Holder shall be deemed on the day on which Commonwealth Bank Subsidiary pays to that Holder the Buyout Price to transfer that Holder's preference shares to Commonwealth Bank Subsidiary and the Company shall on that day enter the name of Commonwealth Bank Subsidiary on the register as the holder of those preference shares
- (b) each Holder shall be deemed to have authorised the Company to act on behalf of that Holder in respect of the transfer of that Holder's preference shares to Commonwealth Bank Subsidiary and to sign any document necessary to effect or record that transfer
- (c) Commonwealth Bank Subsidiary may pay the Buyout Price in the manner specified in Article 10 5 (with the necessary modifications)

4 24 Partial Buyout

Commonwealth Bank Subsidiary may give a Buyout Notice in respect of a specified proportion of the preference shares held by each Holder. If Commonwealth Bank Subsidiary does so Articles 4 21 to 4 23 shall apply modified so as to refer to that proportion of each Holder's preference shares. Commonwealth Bank Subsidiary may give notice of the nature referred to in this clause on more than one occasion.

4 25 Amendment

Subject to Article 4 28 the rights privileges limitations and conditions attaching to the preference shares may be amended with the approval of

- (a) the board and
- (b) an ordinary resolution of the holders of ordinary shares and
- (c) a special resolution of Holders

A meeting of Holders for the purposes referred to in paragraph (c) may be convened by the board

4 26 Meeting for purposes of Trust Deed

The board may at any time convene a meeting of Holders to consider a resolution proposed to be passed for a purpose referred to in the Trust Deed. The board shall convene such a meeting if the trustee under the Trust Deed so requests.

4 27 Conduct of Meetings

A meeting of Holders to consider a resolution of the nature referred to in Article 4 25 or 4 26 shall be convened and held in accordance with the first schedule to the Act. At any such meeting

- (a) where voting is by show of hands or by voice every Holder present in person or by representative has one vote
- (b) on a poll every Holder present in person or by representative has one vote in respect of each preference share held by that Holder and
- (c) if the meeting is to consider a resolution of the nature referred to in Article 4 26

and the trustee under the Trust Deed nominates any person as chairperson for the meeting that person shall chair the meeting

4 28 Restrictions on amendments

No amendment of the nature referred to in Article 4 25 shall be made unless

- (a) ASB has approved that amendment and
- (b) that amendment will not affect the classification of the preference shares under the rules of any Regulatory Authority

4 29 Deductions

The Company may make from Dividends any deduction or withholding on account of tax or on any other account which the Company is required by law to make

4 30 Supplementary dividend

If the Company at any time

- (a) pays a dividend (as defined in section LE 2(1) of the Tax Act and in section OB 1 of that Act for the purposes of Part LE of that Act) to a Holder who is not resident in New Zealand for tax purposes at that time and
- (b) the Company attaches an Imputation Credit to such dividend pursuant to section ME 6 of the Tax Act

then the Company may pay a single supplementary dividend (as defined in section OB 1 of the Tax Act) to that person

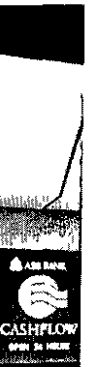
10 DIVIDENDS AND RESERVES

10 5 Method of Payment

A dividend payable in cash may be paid in such manner as the board thinks fit to the entitled shareholders or in the case of joint shareholders to the shareholder named first in the register or to such other person and in such manner as the shareholder or joint shareholders may in writing direct Any one of two or more joint shareholders may give a receipt for any payment in respect of the shares held by them as joint shareholders

12 NOTICES

- (a) A notice may be given to any member or to any other person entitled to notice under this Constitution either by serving it on that person personally or by sending it by post or facsimile transmission to the member's registered address or the address supplied by that other person to the Company for the purpose of notices
- (b) Where a notice is sent by post service of the notice shall be deemed to be effected by properly addressing prepaying and posting a letter containing the notice and to have been effected in the case of a notice of a meeting on the day after the date of its posting and in any other case at the time at which the letter would be delivered in the ordinary course of post
- (c) Where a notice is sent by facsimile transmission service of the notice is deemed to be effected by properly addressing the facsimile transmission and the notice is deemed to have been served in the case of a facsimile transmission on the day following its despatch



Terms of ASB Bank Perpetual Preference Shares

The following are the rights, privileges, limitations and conditions attaching to the ASB Bank Perpetual Preference Shares

1 Interpretation

1.1 In these terms

Benchmark Rate on any day means the rate per annum expressed on a percentage yield basis and rounded up to the nearest two decimal places which is

- (a) the average of the bid and offered swap rate displayed at or about 11am on that day on page FISSWAP (or any successor page) of the Reuters monitor screen for an interest rate swap with a one year term or
- (b) if a rate is unable to be determined in accordance with paragraph (a) or if the Company forms the view that the rate so determined is not an accurate reflection of market rates the average of the mean and bid offered swap rates quoted by three registered banks in New Zealand other than the Company at or about 11am on that day for an interest rate swap with a one year term

Board has the meaning in section 127 of the Companies Act 1993

Business Day means any day other than a Saturday Sunday or a statutory public holiday in New Zealand

Company means ASB Bank Limited

Default has the meaning in the Trust Deed

Distribution has the meaning in section 2(1) of the Companies Act 1993

Dividend means any dividend on the Preference Shares payable pursuant to clause 2

Dividend Amount in respect of a Dividend Period means a sum in respect of each Preference Share calculated in accordance with the following formula

$$\text{Issue Price} \times \frac{\text{Dividend Rate}}{4} \times (1-t)$$

where

Dividend Rate is

- (a) in respect of each Dividend Period commencing after 15 November 2003 the Benchmark Rate on the Relevant Reset Date plus the Margin (adjusted to an equivalent quarterly rate)
- (b) in respect of each Dividend Period ending on or before 15 November 2003 the greater of
 - (i) the Benchmark Rate on the Rate Set Date plus the Margin (adjusted to an equivalent quarterly rate) or
 - (ii) 7.4 percent per annum

t is the basic rate of income tax applicable to the Company under Schedule 1 of the Tax Act

provided that the Dividend Amount in respect of the first Dividend Period shall be an amount calculated in accordance with the following formula

$$X \times \frac{Y}{9125}$$

where

X is an amount calculated in accordance with the first formula set out in this definition

Y is the period from and including the Issue Date to but excluding 15 February 2003

Dividend Cancellation Notice means a notice given by the Board pursuant to clause 3.1

Dividend Payment Date means 15 November, 15 February, 15 May and 15 August in each year

Dividend Period means each period commencing on and including a Dividend Payment Date and ending on but excluding the next Dividend Payment Date or in respect of the first Dividend Period the period from and including the Issue Date to but excluding 15 February 2003

"Fully Credited" means in relation to a Dividend that Imputation Credits are validly attached to the Dividend so that the imputation ratio of the Dividend is the maximum imputation ratio permitted by law

Holder in respect of a Preference Share means a person whose name is entered in the share register of the Company as the holder of that Preference Share

Imputation Credit means an imputation credit as defined in section OB1 of the Tax Act

Issue Date means the date on which the Preference Shares are issued

Issue Price means \$1 in respect of each Preference Share

Margin means 1.3 percent per annum

Ordinary Shares means the ordinary shares from time to time of the Company

Preference Share means a perpetual preference share issued by the Company

Rate Set Date means a date specified by ASB Capital Limited being the Business Day following the closing date of an offer of preference shares by ASB Capital Limited to the public

Reset Date means 15 November 2003 and each 15 November thereafter

Relevant Reset Date means in respect of a Dividend Period if that Dividend Period begins on a Reset Date that Reset Date and if that Dividend Period does not begin on a Reset Date the Reset Date immediately preceding that Dividend Period

Regulatory Authority means the Reserve Bank of New Zealand the Australian Prudential Regulation Authority or any other authority having jurisdiction in respect of banking in Australia and New Zealand

Tax Act means the Income Tax Act 1994

Trust Deed means a security trust deed dated 30 October 2002 between ASB Group (Holdings) Limited The New Zealand Guardian Trust Company Limited and ASB Capital Limited

Whenever in these terms there is a reference to a date and that date is not a Business Day the reference shall be deemed to be to the next day which is a Business Day

2 DIVIDEND

- 2.1 The Preference Shares carry the right to a dividend payable in priority to Distributions in respect of Ordinary Shares in accordance with clause 2.6 of the amounts referred to in clause 2.2
- 2.2 Unless and until a Default occurs Dividends in respect of each Dividend Period shall be paid at such rate as the Board determines in respect of that Dividend Period. If a Default occurs then in respect of each Dividend Period from and including the Dividend Period in which that Default occurs the Dividend shall be equal to the Dividend Amount for that Dividend Period
- 2.3 If a Dividend is paid in respect of any Dividend Period it shall be paid on the Dividend Payment Date on which that Dividend Period ends
- 2.4 All Dividend Amounts shall be Fully Credited. The only consequence of or remedy for a Dividend Amount not being Fully Credited shall be the payment by the Company of the amount referred to in clause 2.5
- 2.5 If all or any part of a Dividend Amount is not Fully Credited the Company shall pay to each Holder an amount equal to the shortfall in Imputation Credits of which Holders would otherwise have had the benefit. The amount payable under this clause 2.5
- (a) is due on the Dividend Payment Date of the Dividend Amount and to the extent paid substitutes for or replaces the corresponding obligation of the Company under clause 2.4 and
 - (b) shall be regarded as a variation in the rate at which Dividends are calculated
- 2.6 Dividends shall rank for payment
- (a) in priority to the rights of holders of Ordinary Shares in respect of dividends or other Distributions
 - (b) after the rights of holders of all classes of shares of the Company from time to time other than Ordinary Shares and Preference Shares in respect of dividends or other Distributions
 - (c) after all rights of creditors of the Company

3 CANCELLATION OF DIVIDENDS

- 3.1 Without limiting section 52(1) of the Companies Act 1993 but subject to clause 3.2 the Board may by notice sent to Holders not later than five Business Days after the end of a Dividend Period cancel the payment of Dividends in respect of that Dividend Period and all subsequent Dividend Periods until such time as the Board determines that Dividends should again be paid
- 3.2 The Board may give a Dividend Cancellation Notice if
- (a) the Board is not satisfied on reasonable grounds that after payment of a Dividend the Company will satisfy the solvency test or
 - (b) the Board has for any other reason determined in its discretion that a Dividend or Dividends generally should not be paid
- 3.3 If a Dividend Cancellation Notice is given any obligation of the Company to pay and any right of Holders to receive the Dividends referred to in clause 3.1 shall be cancelled absolutely. The Preference Shares are not cumulative
- 3.4 If a Dividend Cancellation Notice is given then for the period from the date of that Dividend Cancellation Notice until the Company has paid in full Dividends for two consecutive Dividend Periods the Company shall not make any Distribution other than Dividends

4 CAPITAL

- 4.1 Each Holder shall have the right in a liquidation of the Company to payment of the Issue Price of the Preference Shares held by that Holder and (subject to clause 3) Dividends payable on those Preference Shares at the date of commencement of liquidation calculated on a daily basis from the end of the most recent Dividend Period to the date of commencement of liquidation. That right to payment shall rank
- (a) in priority to all rights of holders of Ordinary Shares
 - (b) after all rights of holders of shares of the Company from time to time other than Ordinary Shares and Preference Shares
 - (c) after all rights of creditors of the Company

5 VOTING

- 5.1 Holders shall have no right to receive notice of, attend or vote at meetings of shareholders of the Company other than meetings called under clause 7.

6 TRANSFER

- 6.1 The Board may refuse to register a transfer of a Preference Share if the Board is of the opinion that the proposed transferee is not an appropriate person to hold Preference Shares.

7 AMENDMENT

- 7.1 Subject to clause 7.2, the rights, privileges, limitations and conditions attaching to the Preference Shares may be amended with the approval of
- (a) the Board, and
 - (b) all holders of Ordinary Shares, and
 - (c) all Holders.
- 7.2 No amendment of the nature referred to in clause 7.1 shall be made if that amendment would affect the classification of the Preference Shares under the rules of any Regulatory Authority.

Summary of the Trust Deed

Introduction

The following is a summary of the principal provisions of the Trust Deed under which ASB Group (Holdings) and ASB Capital give certain covenants in favour of The New Zealand Guardian Trust Company Limited and for the benefit of holders of Perpetual Preference Shares (**Holders**)

Investors requiring further information should refer to the Trust Deed which is available for inspection at the Companies Office Business and Registries Branch Ministry of Economic Development on its website www.companies.govt.nz Where documents are not available on the website a request for the documents can be made by contacting the Companies Office Contact Centre on 0508 266 726 The Trust Deed may also be inspected at the registered office of ASB Capital or the Trustee as set out in the Directory free of charge during business hours

Holders are entitled to the benefit of are bound by and are deemed to have notice of the provisions of the Trust Deed

Capitalised terms that are used in this section but are not defined in this Offer Document have the meanings given to those terms in the Trust Deed

General

The Trust Deed is dated 30 October 2002 and was entered into between ASB Group (Holdings) ASB Capital and the Trustee

The Trust Deed creates a security interest over certain assets of ASB Group (Holdings) (see under the heading *Security* below) This security interest ranks in priority to a security interest granted by ASB Group (Holdings) in favour of ASB Capital over the same assets securing payment of the ASB Capital Loan

Principal Covenants of ASB Group (Holdings)

Dividends

If a Dividend is payable and is not cancelled by the Board and is not paid to each Holder within five Business Days ASB Group (Holdings) must pay to the Trustee an amount equal to that Dividend in respect of all Perpetual Preference Shares or so much thereof as is unpaid However ASB Group (Holdings) has no obligation to make that payment if ASB Bank or Commonwealth Bank has given to ASB Capital a notice to the effect that a Dividend or Dividends generally should not be paid

Capital

If a Liquidation of ASB Capital is commenced and all Holders do not within one year after commencement of that Liquidation receive in respect of their Perpetual Preference Shares the Issue Price and all Dividends accrued but unpaid thereon ASB Group (Holdings) must pay to the Trustee that amount or so much thereof as is unpaid However ASB Group (Holdings) is not required to make any payment unless and until a Liquidation of ASB Bank has also commenced

Security

As security for the payment or delivery of all amounts that ASB Group (Holdings) is or may become liable to pay to the Trustee under the Trust Deed (**Secured Money**) and the performance by ASB Group (Holdings) of all of ASB Group (Holdings) other obligations to the Trustee ASB Group (Holdings) has granted to the Trustee a security interest (**Security**) in the ASB Bank Perpetual Preference Shares and all Distributions and other present and future rights relating to those shares (**Collateral**) ASB Group (Holdings) may not dispose of or permit the disposal of or permit any other security interest (other than the ASB Capital Security Interest) to attach to any Collateral

ASB Group (Holdings) must comply with all laws deliver all documents of title and Transfers and do all other things that the Trustee may reasonably require at any time so that neither the Collateral nor the security interest under the Trust Deed are adversely affected

Limited Recourse

The rights of the Trustee and Holders to enforce the obligations of ASB Group (Holdings) are limited in the Trust Deed in the following manner

- (a) neither the Trustee nor any Holder may enforce payment repayment or recovery of any money against ASB Group (Holdings) personally or against any assets or property of ASB Group (Holdings) other than the Collateral
- (b) neither the Trustee nor any Holder may obtain any judgment or seek or attempt to obtain any judgment for payment by ASB Group (Holdings) of any money in relation to any breach of the Trust Deed
- (c) the Trustee's and each Holder's rights of recovery against ASB Group (Holdings) are limited to the Collateral

Nothing in these provisions prevents the Trustee from exercising its security rights in relation to the Collateral or in seeking declaratory or injunctive relief

Distributions

Until a Default occurs (see under the heading *Default* below) ASB Group (Holdings) must apply all Dividends and other Distributions received in respect of the ASB Bank Perpetual Preference Shares in payment of interest on or repayment of the ASB Capital Loan

After a Default has occurred all Distributions in respect of the ASB Bank Preference Shares will be applied by the Trustee in or towards payment of the Secured Money

Indemnities

ASB Group (Holdings) indemnifies the Trustee and any Receiver for all costs losses and other liabilities (including third party claims) incurred by the Trustee or the Receiver in relation to the Trust Deed and in exercising any right or recovering any Secured Money

The Trustee and every Receiver or other person appointed by the Trustee are indemnified out of the Collateral in respect of all liabilities and expenses incurred in the execution or purported execution of the trusts duties powers authorities and discretions of the Trust Deed other than a claim arising out of wilful default wilful breach of trust or gross negligence



The Trustee is not bound to comply with a request or direction of Holders unless the Trustee has first been indemnified to its satisfaction against all actions proceedings claims and demands to which it may be rendered liable and all costs charges damages and expenses which it may incur as a result

Attorney

ASB Group (Holdings) has appointed the Trustee to be its attorney (**Attorney**) with full power to do anything which ASB Group (Holdings) agrees to do under the Trust Deed and anything which in the Attorney's opinion is desirable to protect the Trustee's interests under the Trust Deed

Reports for Trustee

Within three Business Days after each Dividend Payment Date ASB Capital must deliver to the Trustee a Directors' certificate stating whether a Dividend was paid on the Dividend Payment Date or cancelled prior to the Dividend Payment Date whether a Liquidation of ASB Capital commenced during the relevant Dividend Period and whether ASB Capital has complied with the Terms of the Perpetual Preference Shares during the relevant Dividend Period ASB Capital must also provide the Trustee with copies of any notices or other communications sent by ASB Capital to Holders

Within 10 Business Days after 30 June and 31 December in each year ASB Group (Holdings) must deliver to the Trustee a directors' certificate stating whether during the six months prior to that certificate a Default has occurred and whether ASB Group (Holdings) has complied with its obligations under the Trust Deed

Rights and Powers of the Trustee

The Trustee may at any time

- (a) do all things the Trustee thinks desirable to remedy any default by ASB Group (Holdings) or to protect the Collateral or the Security
- (b) determine whether or not to enforce the Trust Deed or any other security or right
- (c) make any arrangement or compromise with ASB Group (Holdings) or any other person which the Trustee thinks fit

The Trustee may invest any money subject to the Trust Deed in any investment whatsoever The income arising from all such investments will until the date of enforcement by the Trustee of the Security (**Date of Enforcement**) belong to ASB Group (Holdings)

On or after the Date of Enforcement the Trustee may apply to the court for an order that the powers and trusts contained in the Trust Deed be exercised under the direction of the court and/or for the appointment of a Receiver of the Collateral and/or for any other order or direction in relation to the execution and administration of the powers and trusts contained in the Trust Deed The Trustee may approve or oppose any application to the court made by any Holder

Subject to any direction given by the Holders the Trustee may waive any breach or anticipated breach by ASB Group (Holdings) of any provision expressed or implied in the Trust Deed on such terms and conditions as it deems expedient provided the Trustee is satisfied that the interests of the Holders will not be materially prejudiced as a result

The Trustee has all of the rights and powers of a trustee provided by law. In addition the Trust Deed gives the Trustee supplementary rights including

- (a) the ability to rely without liability on the advice of a solicitor, stockbroker, accountant or other expert
- (b) the ability to rely without liability on any directors' certificate of ASB Group (Holdings)
- (c) the ability to act without liability in accordance with a resolution of Holders
- (d) that the Trustee is not responsible for subscription money or the application thereof
- (e) that the Trustee is not responsible for and is not required to examine the adequacy of title of the Collateral
- (f) the right to assume performance by ASB Group (Holdings) of its obligations and to exclude implied or constructive knowledge of default (however the Trustee must exercise reasonable diligence to ascertain whether or not ASB Group (Holdings) has committed any breach of the Trust Deed)
- (g) the right to exercise its powers in its sole discretion (subject to receiving a direction from Holders)
- (h) the right to determine as between the Trustee and Holders any matter under the Trust Deed
- (i) the right to delegate its powers as a trustee and
- (j) the right to recognise the interests of Holders as a whole rather than considering individual Holder's interests

Remuneration

ASB Group (Holdings) will pay the Trustee such remuneration as is from time to time agreed between ASB Group (Holdings) and the Trustee. ASB Group (Holdings) will also pay all expenses of the Trustee in connection with the Trust Deed and in connection with performance by the Trustee of its obligations and non-performance by ASB Group (Holdings) of its obligations under the Trust Deed.

New Trustee

The power of appointing a new Trustee or Trustees is vested in ASB Group (Holdings) but no new Trustee may be appointed unless the appointment is first approved by a Special Resolution passed at a meeting of Holders called for that purpose.

Default

The Security becomes enforceable if any of the following events occur

- (a) a Liquidation of ASB Capital is commenced
- (b) a Liquidation of ASB Bank is commenced
- (c) a Liquidation of ASB Group (Holdings) is commenced
- (d) ASB Group (Holdings) fails to comply with any of its obligations under the Trust Deed and that failure continues for a period of 20 Business Days after receipt by ASB Group (Holdings) of notice from the Trustee specifying the failure and requiring that it be remedied

Trustee's Powers on Enforcement

After a Default the Trustee may and must upon being directed to do so by a Special Resolution (subject to the Trustee's right to call for an indemnity) require payment from ASB Group (Holdings) of the sum of the Secured Money due on that date and the aggregate Issue Price and Dividends accrued but unpaid at that date and may

- (a) (whether or not a Receiver has been appointed) exercise any of the powers of a Receiver or which a person would have if appointed as a Receiver under the Trust Deed and/or
- (b) pay any expenses incurred in the exercise of any of such powers out of the revenue from or proceeds of realisation of the Collateral

Receiver

If a Default occurs or if ASB Group (Holdings) requests the Trustee may appoint a Receiver of all or any of the Collateral and must (subject to the Trustee's right to call for an indemnity) appoint a Receiver upon being directed to do so by a Special Resolution

Except as otherwise directed by the Trustee all money from time to time held by the Receiver which is not required to be retained by the Receiver for the performance of his or her duties will be paid to the Trustee to be held by it on the trusts declared in the Trust Deed

Production of Trustee, Receiver and Other Persons

If the Trustee or a Receiver sells any Collateral the Trustee or Receiver are accountable only for any purchase money which that person actually receives

Persons dealing with the Trustee or any Receiver are not required (in the absence of fraud) to enquire whether any power which the Trustee Receiver or person acting on their behalf has become exercisable or to see to the application of any amount paid to the Trustee Receiver or person acting

The Trustee or a Receiver will not be liable to account for any loss as mortgagee in possession and may at any time give up possession of any Collateral Neither the Trustee nor a Receiver are liable for any losses which may occur in or as a result of the exercise purported exercise or non exercise of any of their rights powers or remedies

The Trustee may upon such terms as it thinks proper join in exercising its powers with any other secured creditor of ASB Group (Holdings) and in particular may on such terms as it thinks proper join in appointing a common Receiver of the Collateral or any part thereof subject to the Trustee retaining such priority as is enjoyed by it in respect of the Collateral but with liberty for the Trustee to make any arrangements it thinks proper for the purpose of ensuring the respective priorities

Distribution of Proceeds

All amounts received by the Trustee or any Receiver whether in the exercise of that person's powers or otherwise will be applied in accordance with the provisions of the PPSA

All money received by the Trustee will be applied

- (a) first in or towards payment to the Holders *pari passu* in proportion to the amounts owing to them of Dividends payable in accordance with Article 4 of the Constitution
- (b) secondly in or towards payment to Holders *pari passu* in proportion to the amounts owing to them of amounts payable pursuant to Article 4.12 of the Constitution
- (c) lastly subject to any other security interests in payment to ASB Group (Holdings) or such other person or persons as ASB Group (Holdings) or any court on the application of the Trustee directs

If a Liquidation of ASB Capital has not commenced the Trustee may at its entire discretion pay to ASB Capital any amount held by the Trustee if the Trustee is satisfied at its discretion that that amount will be applied by ASB Capital in payments to Holders

If the monies at any time available are less than 10% of the amounts then owing to Holders the Trustee may in its discretion invest those monies and those investments and the income from them may be accumulated until the accumulations and any other available funds amount to a sum sufficient to pay at least 10% of the amounts then owing to Holders

For the purposes of determining the appropriate payment to be made to Holders the Trustee may rely absolutely on the Register

Alterations to Trust Deed and Meetings

The provisions of the Trust Deed may be added to or varied by ASB Group (Holdings) and the Trustee

- (a) without the consent of the Holders if the addition or variation
 - (i) is necessary or desirable to correct a manifest error or to comply with the requirements of any statute or statutory regulations or the listing rules of any stock exchange
 - (ii) is of a formal or technical nature
 - (iii) in the opinion of the Trustee is not or is not likely to become prejudicial to the general interests of the Holders
 - (iv) in the opinion of the Trustee is in the interests of the Holders to take cognisance of a modification to the law in New Zealand or
 - (v) is necessary or convenient for complying with any generally accepted financial market banking or business practice and in the opinion of the Trustee is appropriate and reasonable in all the circumstances and is not and is not likely to become prejudicial to the general interests of the Holders or
- (b) with the consent of the Holders given by Special Resolution

Meetings

Meetings of Holders will be convened and held in accordance with the Constitution. ASB Capital must convene a meeting of Holders without delay after receiving from the Trustee a request in writing to convene a meeting of holders specifying the resolution or resolutions to be considered at that meeting. The Trustee has no liability to any Holder or any other person if the Directors having been requested by the Trustee to convene a meeting of Holders fail to do so.



Statutory Information

Provided in accordance with Regulation 3(1) of the Securities Regulations 1983

As required by Regulation 3(1) of the Securities Regulations the following information sets out (but is not limited to) the matters required to be stated by the First Schedule of the Securities Regulations

Main Terms of the Offer

Issuer of Perpetual Preference Shares The name of the issuer of the Perpetual Preference Shares is ASB Capital Limited ASB Capital's registered office is at Level 28 ASB Bank Centre 135 Albert Street Auckland

Brief description of Perpetual Preference Shares The Perpetual Preference Shares are not redeemable in any circumstances They confer no right to attend or vote at meetings of shareholders except at a meeting of holders of Perpetual Preference Shares to consider an amendment to the terms of the Perpetual Preference Shares or meetings called at the request of the Trustee for the purposes of the Trust Deed They carry the right to a preferential dividend but the payment of dividends may be cancelled by the Board Further details of the terms of the Perpetual Preference Shares are set out under the heading *Terms of Perpetual Preference Shares* on page 17

Maximum number of Perpetual Preference Shares The maximum number of Perpetual Preference Shares being offered under this Offer Document is 200 million

Issue Price The issue price is \$1 for each Perpetual Preference Share

Details of incorporation of issuer and place file kept ASB Capital was incorporated in New Zealand on 8 October 2002 under the Companies Act ASB Capital's registered number is AK1242031 A public file relating to the incorporation or registration of ASB Capital is kept at the Companies Office Business and Registries Branch Ministry of Economic Development on its website www.companies.govt.nz Where documents are not available on the website a request for the documents can be made by contacting the Companies Office Contact Centre on 0508 266 726

Principal Subsidiaries of Issuer As at the date of registration of this Offer Document there are no subsidiaries of ASB Capital

Directorate and Advisors

- **Names, addresses and qualifications** The names of the Directors of ASB Capital and their technical or professional qualifications (if any) are set out below

John William Duncan C A

Peter Sidney Hall B Sc M Sc

John Antonie te Wechel M A

The Directors of ASB Capital can be contacted at ASB Capital's registered office the details of which are set out in the Directory

- **No bankruptcy** No Director of ASB Capital has been adjudged bankrupt during the five years preceding the date of registration of this Offer Document
- **Advisors** The names of the auditor and share registrar of ASB Capital and the names of the sharebrokers and solicitors who have been involved in preparing this Offer Document are set out in the Directory

Restrictions on Directors' Powers

- **The Constitution** The Constitution provides that the holder of the ordinary shares in ASB Capital can at any time exercise any of the powers of the Board (except that the holder of the ordinary shares cannot invalidate any previous act of the Board)
- **The Companies Act** The Companies Act contains a number of other provisions which could have the effect or consequence in certain circumstances of restricting the powers of the Directors. For example, the Directors must not allow ASB Capital to enter into any major transactions (as that term is defined in the Companies Act) without the prior approval by a majority of 75% of the votes of shareholders of ASB Capital entitled to vote and voting. These provisions are common for any company registered under the Companies Act.

Substantial Equity Security Holders of Issuer

Names and shares held As at the date of registration of this Offer Document, CBA Funding (NZ) Limited is the registered holder of all of the ordinary shares in ASB Capital. There are no other holders of equity securities of ASB Capital at the date of registration of this Offer Document.

No shareholder liability CBA Funding (NZ) Limited undertakes no liability in relation to the Perpetual Preference Shares.

Description of Activities of Issuer

Activities ASB Capital was incorporated on 8 October 2002. ASB Capital has not undertaken any activities from the date of its incorporation to the date of registration of this Offer Document.

Fixed Assets ASB Capital does not own or lease any fixed assets.

Summary of Financial Statements

ASB Capital has not undertaken any business or activity. No financial statements for ASB Capital have been prepared.

Prospects and Forecasts

ASB Capital has been incorporated for the sole purpose of issuing the Perpetual Preference Shares. ASB Capital will invest the proceeds of issue of the Perpetual Preference Shares in a loan to ASB Group (Holdings). The Directors anticipate that ASB Capital will carry on no business or activity other than issuing the Perpetual Preference Shares, holding the loan, receiving interest on, or repayment of, the loan and paying dividends on the Perpetual Preference Shares. For the principal risks, see the section headed *What are my risks?* on page 22.

Provisions relating to Initial Flotations

First Offer The Offer is ASB Capital's first offer to the public of equity securities in ASB Capital.

Directors' Plans The Directors anticipate that ASB Capital will carry on no business or activity other than issuing the Perpetual Preference Shares, holding the loan to ASB Group (Holdings), receiving interest on, or repayment of, the loan and paying dividends to holders of the Perpetual Preference Shares.

Use of Proceeds The Directors intend to lend the proceeds of the Offer to ASB Group (Holdings). The proceeds of the Offer will not be applied towards any other undertaking.

Prospective Financial Information

Introduction and Basis of Preparation

There is set out below certain prospective financial information for the period ended 30 October 2003. There is no present intention to update this prospective financial information or to publish prospective financial information in the future.

This prospective financial information constitutes a forecast as defined by the New Zealand Financial Reporting Standard 29 Prospective Financial Information. As a forecast the prospective financial information has been prepared on the basis of assumptions as to future events that the Directors reasonably expect to occur associated with the actions reasonably expected to take place as at the date that the information is prepared. The prospective financial information will vary from actual results.

The prospective financial information is forward looking and should be read in conjunction with the assumptions and sensitivities set out below and other information set out in this Offer Document. Because such statements involve risk and uncertainties, actual events may differ materially from those expressed or implied by such forward looking statements. Factors that could cause such differences include, but are not limited to, those discussed under the heading *What are my risks?* on page 22.

The forecast financial information has been prepared on the basis of numerous assumptions, including those particular assumptions set out below. This presentation is intended to assist potential investors in assessing the validity of the assumptions on which the forecast financial information is based and the likelihood of the assumptions actually occurring. It is not intended to be a forecast that the assumptions will in fact occur and potential investors should be aware that events or outcomes which differ in size or timing from those assumed may occur and may have a positive or negative effect on the prospective financial information. In assessing the reliability of the forecast financial information, potential investors should have regard to all of the information in this Offer Document, including information set out under the heading *What are my risks?* on page 22.

Inclusion of the prospective financial information set out below is a statement of the present belief of the Directors and management of ASB Bank as to the forecast financial information for the period ended 30 October 2003 and is not a representation by ASB Capital, the Directors, management of ASB Bank or any other person that the results set out below will be achieved.

ASB Capital expects to adopt accounting policies consistent with those of the ASB Group of companies.

Forecast Statement of Cash Flows

ASB CAPITAL LIMITED

For the year ended 30 October

\$ thousands

2003

CASH FLOWS FROM OPERATING ACTIVITIES

Cash will be provided from

Interest Received

5,674.5

Cash will be applied to

Taxation Paid

461.6

Net Cash flows from Operating Activities

5,212.9

CASH FLOWS FROM INVESTING ACTIVITIES

Cash will be applied to

Due from Related Parties

150,000.0

Net Cash flows from Investing Activities

(150,000.0)

CASH FLOWS FROM FINANCING ACTIVITIES

Cash will be provided from

Contributions from Shareholders

150,001.0

Due from Related Parties

461.6

Cash will be applied to

Dividends Paid

5,674.5

Net Cash flows from Financing Activities

144,788.1

SUMMARY OF MOVEMENTS IN CASH FLOWS

Net Increase in Cash and Cash equivalents

1.0

Cash & Cash Equivalents at End of Year

1.0

General Assumptions

The prospective financial information is based on events and conditions as at the date of this Offer Document and assumes that

- there will be no material change in the general economic or fiscal environment in New Zealand
- the ultimate parent company of each of ASB Capital ASB Bank and ASB Group (Holdings) will continue to be Commonwealth Bank of Australia

Principal Assumptions

The principal assumptions underlying the above statement of cash flows are

- a prospectus registration date of 30 October 2002
- an issue of NZ\$150 000 000 of Perpetual Preference Shares allotted on 11 November 2002
- a gross quarterly equivalent Dividend Rate of 7.40% (4.958% net of imputation credits) paid quarterly in arrears
- a loan to ASB Group (Holdings) of NZ\$150 000 000 with a 7.40% gross interest rate 4.958% after withholding tax deductions received quarterly in arrears
- all issue costs are paid by ASB Group (Holdings)

Minimum Amount The minimum amount that in the opinion of the Directors of ASB Capital must be raised by the issue of the Perpetual Preference Shares in order to provide for the matters specified in clause 10(4) of the First Schedule to the Securities Regulations is \$50 million

Acquisition of Business or Subsidiary

ASB Capital has not acquired any business between the date of its incorporation and the date of registration of the Offer Document. As at the date of registration of this Offer Document ASB Capital does not have any subsidiaries.

Securities paid up otherwise than in cash

Since the date of incorporation of ASB Capital ASB Capital has not allotted any equity or participatory securities as fully or partly paid up otherwise in cash.

Option to subscribe for Securities of Issuer

There are no options to subscribe for securities of ASB Capital that have been granted to or are proposed to be granted to anyone by or on behalf of ASB Capital.

Appointment and retirement of Directors

Existing Appointments Directors may be appointed by the holder of the ordinary shares of ASB Capital by written notice to ASB Capital. Two or more persons may be appointed as directors by a single notice. The existing Directors of ASB Capital were appointed on incorporation of ASB Capital.

Retirement Age ASB Capital has no rules or policies relating to the retirement age of Directors.

Directors interests

Remuneration Directors are not entitled to remuneration from ASB Capital other than by way of directors' fees.

Retirement There are no contracts or other provisions relating to retirement benefits or compensation for loss of office for Directors of ASB Capital.

Material Transactions involving Directors ASB Capital has not entered into any material transactions (as defined in the Securities Regulations) within the five years preceding the date of the registration of this Offer Document (and is not to enter into any such material transactions after the date of this Offer Document) with any of the persons named in clause 15(4) of the First Schedule to the Securities Regulations.

Promoters Interests

Name of Promoters ASB Bank Limited is the promoter of the securities being offered. Because ASB Bank is the promoter, each of the directors of ASB Bank are also promoters. The full names of the directors of ASB Bank are set out below.

Gary James Judd
Graham Hugh Burrett
Richard Boven
Leslie Gordon Cupper

Patrick Anthony Edwards
John Antony Hood
Garry Lynton Mackrell
James Michael Robert Syme

The directors of ASB Bank can be contacted at ASB Bank's registered office, the details of which are set out in the Directory.

Material Transactions Involving Promoters No material transaction (as defined in the Securities Regulations) has been or is to be entered into between ASB Capital and any of the persons named in clause 16(2) of the First Schedule to the Securities Regulations. However, ASB Capital is to lend all of the proceeds of issue of the Perpetual Preference Shares to ASB Group (Holdings), which is a related company of ASB Bank.

Material contracts

ASB Capital has entered into

- a security trust deed dated 30 October 2002 between ASB Capital, ASB Group (Holdings) and the Trustee which is described under the heading *Summary of the Trust Deed* on page 42
- a Loan Agreement dated 30 October 2002 with ASB Group (Holdings) under which ASB Capital has agreed to lend the proceeds of issue of the Perpetual Preference Shares to ASB Group (Holdings)
- a security agreement dated 30 October 2002 with ASB Group (Holdings) which grants security over the ASB Bank Perpetual Preference Shares to secure amounts payable under the Loan Agreement

Pending proceedings

There are no legal proceedings or arbitrations pending at the date of registration of this Offer Document that may have a material adverse effect on ASB Capital.

Preliminary and issue expenses

Issue Expenses Issue expenses associated with the Offer comprising accounting and auditing fees, legal fees, listing fees, registry expenses, ratings agency fees, advertising, printing and distribution of this Offer Document and brokerage fees are estimated to be \$3.1 million and will be paid by ASB Bank and ASB Group (Holdings).

Brokerage Fee Members of the NZSE and approved financial intermediaries will receive a brokerage fee of 1% of the Issue Price in respect of Perpetual Preference Shares allotted pursuant to applications submitted by investors (other than Institutional Investors) bearing their stamp.

A firm allocation fee of 0.50% of the Issue Price will be payable to members of the NZSE and approved financial intermediaries in respect of Perpetual Preference Shares allotted pursuant to applications submitted by investors (other than Institutional Investors) under firm allocations.

Members of the NZSE and approved financial intermediaries will receive a brokerage fee of 0.50% of the Issue Price in respect of Perpetual Preference Shares allotted pursuant to applications bearing their stamp submitted by Institutional Investors (other than those Institutional Investors detailed in a distribution exclusion list to be determined by the Lead Managers and distributed to members of the NZSE).

Preliminary Expenses There are no preliminary expenses of ASB Capital because all such expenses will be paid by ASB Bank and ASB Group (Holdings)

Restrictions on issuer

The terms of the Perpetual Preference Shares provide that if dividends on the Perpetual Preference Shares are cancelled ASB Capital shall not make any Distribution to shareholders (other than dividends on the Perpetual Preference Shares) until ASB Capital has paid in full two instalments of dividends on the Perpetual Preference Shares

The Constitution provides that the only business or activity which ASB Capital may carry on is to

- (a) issue and maintain in existence the Perpetual Preferences Shares
- (b) advance the proceeds of the Perpetual Preference Shares by loan to ASB Group (Holdings)
- (c) do all other things reasonably incidental to the activities referred to in paragraphs (a) and (b)

ASB Capital has no power to

- (d) carry on any other business or activity or
- (e) apply amounts received by way of interest on or repayment of the loan referred to in paragraph (b) for any purpose other than in payments to the holders of the Perpetual Preference Shares

Clauses 23–38 of First Schedule of Securities Regulations

As at the date of registration of this Offer Document ASB Capital has not commenced business acquired an asset or incurred a debt

Places of inspection of documents

The Constitution and the material contracts referred to on page 52 may be inspected at the Companies Office Business and Registries Branch Ministry of Economic Development for a fee on its website www.companies.govt.nz Where documents are not available on the website a request for the documents can be made by contacting the Companies Office Contact Centre on 0508 266 726 The documents may also be inspected at the offices of ASB Capital Level 28 ASB Bank Centre 135 Albert Street Auckland for free during normal business hours

Other material matters

Other than the matters set out elsewhere in this Offer Document and in contracts entered into in the ordinary course of business of ASB Capital there are no material matters relating to this Offer of Perpetual Preference Shares

Directors Statement

The Directors are of the opinion after due enquiry that during the period between the date of incorporation of ASB Capital and the date of registration of the Offer Document no circumstances have arisen that will materially adversely affect the

- trading or profitability of ASB Capital
- the value of its assets or
- its ability to pay its liabilities due within the next 12 months

Auditor's report A copy of the auditor's report and statement of findings required by clause 42 of the First Schedule of the Securities Regulations is set out on pages 93 and 94 of this Offer Document Ernst & Young has given and has not withdrawn its consent to be named in this Offer Document as auditor of ASB Capital and to the issue of the Offer Document with its audit report included in the form and context in which it appears Ernst & Young takes no responsibility for nor has it authorised the issue of any part of this Offer Document except for the auditor's report While Ernst & Young is a professional advisor to ASB Capital neither Ernst & Young nor any officer or employee of Ernst & Young is intended to be a director officer or employee of ASB Capital

Directors' Responsibility Statement



FINANCIAL STATEMENTS **INCORPORATING GENERAL DISCLOSURE STATEMENT** **FOR THE YEAR ENDED 30 JUNE 2002**

The Directors are required by the Financial Reporting Act 1993 to prepare financial statements for the accounting period which comply with Generally Accepted Accounting Practice (GAAP) and provide such additional information as required to present a true and fair view of the financial affairs of the Company and Group

The Directors are required by the Companies Act 1993 to ensure that proper accounting records have been kept which enable with reasonable accuracy the determination of the financial position of the Company and Group

The Directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities

The Directors have pleasure in presenting the financial statements and general disclosures of ASB Bank Limited for the year ended 30 June 2002

For, and on behalf of the Board of Directors which authorised the issue of the financial report on 30 July 2002

G J Judd *q c*
Chairman

G H Burrett
Managing Director

30 July 2002

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ASB Bank Financial Statements

The financial statements of ASB Bank are set out below. ASB Bank is not the issuer of the Perpetual Preference Shares, and does not guarantee amounts payable in respect of the Perpetual Preference Shares. For the relationship between ASB Capital and ASB Bank see under the heading "Relationship with ASB Bank" on page 8

HISTORICAL SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2002

\$ millions

	2002	2001	2000	1999	1998
STATEMENT OF FINANCIAL PERFORMANCE					
Interest Income	1,500.7	1,473.9	1,078.1	954.0	1,121.5
Interest Expense	992.3	1,016.5	693.6	626.4	801.8
Net Interest Earnings	508.4	457.4	384.5	327.6	319.7
Other Income	215.3	187.2	177.4	137.0	121.1
Total Operating Income	723.7	644.6	561.9	464.6	440.8
Debt Provisions Expense	18.0	13.5	11.4	12.8	10.9
Total Operating Income after Debt Provisions	705.7	631.1	550.5	451.8	429.9
Total Operating Expenses	371.0	351.0	322.0	275.3	267.2
Net Surplus before Taxation	334.7	280.1	228.5	176.5	162.7
Taxation	110.0	96.7	78.4	59.6	54.8
Net Surplus after Taxation	224.7	183.4	150.1	116.9	107.9
Ordinary Dividends	10.0	150.0	43.8	22.7	21.0
Special Dividends	-	-	-	5.0	-
Non Cumulative Preference Dividends	-	3.1	3.1	3.1	3.1
Surplus Retained	214.7	30.3	103.2	86.1	83.8
STATEMENT OF FINANCIAL POSITION					
Total Assets	24,249.6	20,021.7	17,179.5	14,709.9	12,896.8
Impaired Assets	35.2	31.2	16.2	31.2	24.4
Total Liabilities	23,216.8	19,202.0	16,332.6	13,966.5	12,239.5
Total Shareholder's Equity	1,032.8	819.7	846.9	743.4	657.3

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2002

\$ millions	Note	Consolidated		Parent	
		2002	2001	2002	2001
Interest Income	2	1 500 7	1 473 9	1,374 7	1 418 1
Interest Expense	3	992 3	1 016 5	988 9	1 010 8
Net Interest Earnings		508 4	457 4	385 8	407 3
Other Income	5	215 3	187 2	255 3	189 2
Total Operating Income		723 7	644 6	641 1	596 5
Debt Provisions Expense	14	18 0	13 5	12 7	12 7
Total Operating Income after Debt Provisions		705 7	631 1	628 4	583 8
Total Operating Expenses	6	371 0	351 0	373 9	341 0
Salaries and Other Staff Expenses		182 5	164 2	178 3	161 2
Building Occupancy Expenses		51 4	50 2	44 8	43 0
Equipment Expenses		23 3	22 7	23 2	22 5
Information Technology Expenses		40 0	40 0	38 6	37 9
Other Expenses		73 8	73 9	89 0	76 4
Net Surplus before Taxation		334 7	280 1	254 5	242 8
Taxation	8	110 0	96 7	57 0	67 7
Net Surplus after Taxation		224 7	183 4	197 5	175 1

STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 30 June 2002

\$ millions	Note	Consolidated		Parent	
		2002	2001	2002	2001
Total Shareholder's Equity at Beginning of Year		819.7	846.9	788.6	816.6
Net Surplus after Taxation		224.7	183.4	197.5	175.1
(Devaluations)	25	(1.6)	(7.5)	(0.4)	-
Repayment of Preference Share Capital		-	(50.0)	-	(50.0)
Less					
Ordinary Dividends		10.0	150.0	10.0	150.0
Non Cumulative Preference Dividends		-	3.1	-	3.1
Total Dividends	9 & 26	10.0	153.1	10.0	153.1
Total Shareholder's Equity at End of Year		1 032.8	819.7	975.7	788.6

These statements are to be read in conjunction with the notes on pages 60 to 88 and the Auditors' Report on page 92

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2002

\$ millions	Note	Consolidated		Parent	
		2002	2001	2002	2001
ASSETS					
Cash and Liquid Assets	10	105 7	46 9	105 7	47 0
Due from Other Banks	11	2,495 8	831 0	1 511 0	217 9
Investment Securities	12	484 0	154 8	-	-
Other Securities	12	1 897 9	2 612 6	1,897 9	2 612 6
Advances	13	19,031 9	16 173 5	17 438 0	15 026 8
		24 015 3	19 818 8	20,952 6	17 904 3
Less General Provision for Bad and Doubtful Debts	14	71 3	59 3	65 3	57 9
		23 944 0	19 759 5	20 887 3	17 846 4
Due from Associates and Subsidiaries	15	-	1 7	1 666 0	1 246 5
Investments in Associates and Subsidiaries	16	0 1	4 5	1,429 1	720 0
Property Plant and Equipment	17	200 5	195 0	118 8	108 8
Other Assets	18	97 9	49 9	45 0	37 1
Deferred Taxation Benefit	19	7 1	11 1	8 4	13 1
Total Assets		24,249 6	20 021 7	24 154 6	19 971 9
Total Interest Earning and Discount Bearing Assets		23 910 4	19 772 3	22 494 6	19 088 6
Financed by					
LIABILITIES					
Deposits and Other Borrowings					
Deposits	20	18 263 2	17 618 9	18,211 1	17 371 9
Due to Other Banks	21	4 417 2	1 143 9	4 405 0	1 143 9
Other Liabilities					
Due to Associates and Subsidiaries		-	-	70 0	252 3
Other Current Liabilities	22	281 2	188 3	237 6	164 3
		22 961 6	18 951 1	22 923 7	18 932 4
Subordinated Debt	23	255 2	250 9	255 2	250 9
Total Liabilities		23 216 8	19 202 0	23,178 9	19 183 3
SHAREHOLDER'S EQUITY					
Contributed Capital - Ordinary Shareholder	24	323 1	323 1	323 1	323 1
Asset Revaluation Reserves	25	4 7	6 3	10 9	11 3
Accumulated Surplus	26	705 0	490 3	641 7	454 2
Total Shareholder's Equity		1,032 8	819 7	975 7	788 6
Total Liabilities and Shareholder's Equity		24 249 6	20 021 7	24,154 6	19 971 9
Total Interest and Discount Bearing Liabilities		22 008 9	18 221 9	21 954 9	18 172 2

These statements are to be read in conjunction with the notes on pages 60 to 88 and the Auditors' Report on page 92

STATEMENT OF CASH FLOWS

For the year ended 30 June 2002

\$ millions	Note	Consolidated		Parent	
		2002	2001	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from					
Interest Received		1 451 4	1 442 4	1 374 7	1 420 0
Other Income Received		208 5	199 6	257 2	186 3
		1 659 9	1 642 0	1 631 9	1 606 3
Cash was applied to					
Interest Paid		940 8	993 8	936 8	986 6
Operating Expenditure		330 8	304 8	342 0	302 9
Net Taxation Paid		29 4	42 9	15 7	42 2
Payments to Related Parties for Loss Offsets		45 6	27 5	39 7	28 3
		1 346 6	1 369 0	1,334 2	1 360 0
Net Cash Flows from Operating Activities	27	313 3	273 0	297 7	246 3
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from					
Sale of Property Plant and Equipment		0 2	8 0	0 2	8 0
Net Decrease / (Increase) in Securities		361 2	(586 9)	690 4	(619 3)
Due from / (to) Associates and Subsidiaries		1 7	(5 1)	(1 132 9)	(963 6)
Sale of Shares in Associates and Subsidiaries		7 4	-	7 4	-
		370 5	(584 0)	(434 9)	(1 574 9)
Cash was applied to					
Net Increase / (Decrease) in					
Due from Other Banks (Term)		1,716 9	493 0	1,343 7	(107 0)
Advances		2 869 2	1 775 7	2 421 1	1 359 5
Due to Associates and Subsidiaries		-	-	182 4	545 7
Purchase of Property Plant and Equipment		37 7	30 9	36 8	29 3
		4 623 8	2 299 6	3 984 0	1 827 5
Net Cash Flows from Investing Activities		(4 253 3)	(2 883 6)	(4 418 9)	(3 402 4)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from					
Net Increase / (Decrease) in					
Deposits		683 3	3 690 5	878 2	4 242 5
Due to Other Banks (Term)		3 703 1	(1 219 2)	3,690 9	(1 219 2)
Subordinated Debt		-	150 0	-	150 0
		4 386 4	2 621 3	4 569 1	3 173 3
Cash was applied to					
Dividends Paid		10 0	153 1	10 0	153 1
Repayment of Preference Share Capital		-	50 0	-	50 0
		10 0	203 1	10 0	203 1
Net Cash Flows from Financing Activities		4 376 4	2 418 2	4 559 1	2 970 2
SUMMARY OF MOVEMENTS IN CASH FLOWS					
Net Increase / (Decrease) in Cash and Cash Equivalents		436 4	(192 4)	437 9	(185 9)
Add Cash and Cash Equivalents at Beginning of Year		(359 7)	(167 3)	(372 8)	(186 9)
Cash and Cash Equivalents at End of Year	28	76 7	(359 7)	65 1	(372 8)

These statements are to be read in conjunction with the notes on pages 60 to 88 and the Auditors' Report on page 92

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

1 STATEMENT OF ACCOUNTING POLICIES

GENERAL ACCOUNTING POLICIES

These financial statements have been drawn up in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Registered Bank Disclosure Statement (Full and Half Year – New Zealand Incorporated Registered Banks) Order 1998. The reporting entity is ASB Bank Limited and its subsidiaries (the Banking Group). ASB Bank Limited (the Bank) is registered under the Companies Act 1993.

The measurement base adopted is that of historical cost as modified by the revaluation of certain Property, Plant and Equipment and financial instruments as identified below.

PARTICULAR ACCOUNTING POLICIES

(a) Basis of Consolidation

Assets, liabilities and operating results of subsidiaries are included in the consolidated financial statements on the basis of financial statements made up to balance date using the purchase method. All material intercompany balances and transactions have been eliminated.

The results of associate companies are not equity accounted for as their net surpluses are rebated to shareholders.

(b) Income Recognition

Interest Income is recognised on an accrual basis, either daily or on a yield to maturity basis. Early repayment interest adjustments are matched against the cost of relevant hedging positions. All material fee income is recognised in the Statement of Financial Performance when the service is provided to the customer.

Amortisation of premiums and discounts on financial assets and liabilities are included in net interest earnings. Market value adjustments are included in Other Income.

(c) Expense Recognition

All material expenses are recognised in the Statement of Financial Performance on an accrual basis, including interest expense either daily or on a yield to maturity basis.

(d) Advances

Advances cover all forms of lending to customers including mortgages, overdrafts, personal loans and credit card balances. Advances which are processed in the Bank's Treasury Department are recognised in the Statement of Financial Position at their fair value, less accrued interest which is included in Interest Receivable Accrued. All other advances are recognised in the Statement of Financial Position at their outstanding principal balances.

(e) Investment Securities

Investment Securities are public and other debt securities which were purchased with the intention of holding them for the long term or until maturity.

Bond securities are recognised at cost, adjusted for the amortisation of premiums and discounts.

Interest income and discounts on other Investment Securities are recognised on an accrual basis.

Gains or losses due to changes in market value are only recognised in the Statement of Financial Performance if an Investment Security is sold.

(f) Other Securities

Other Securities are public and other debt securities which were purchased without the intention of holding them until maturity. Such securities are recognised at their fair value, with unrealised gains or losses in respect of market value adjustments being recognised immediately in the Statement of Financial Performance.

(g) Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase are retained within the relevant security portfolio and accounted for accordingly.

The obligation to repurchase is recorded as a deposit. The difference between the sale and repurchase price represents interest expense and is recognised in the Statement of Financial Performance over the term of the repurchase agreement. Securities held under reverse repurchase agreements are recorded as Interest Earning Assets. The difference between the purchase and sale price represents Interest Income and is recognised in the Statement of Financial Performance over the term of the reverse repurchase agreement.

(h) Due to/from Other Banks

Due to/from Other Banks are categories defined by the nature of the counterparty. Assets and liabilities within this category are generally recognised at their fair value reflecting the nature of the asset or liability.

(i) Asset Quality

Impaired Assets consists of non accrual assets and restructured assets.

A non accrual asset is any asset for which the Bank will not be able to collect all amounts owing in accordance with the terms of the contract with the counterparty.

A restructured asset is any asset 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; and
- 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 Bank's average cost of funds, or that a loss is not otherwise expected to be incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

Specific Provisions are made and recognised against impaired assets where full recovery of principal and interest is not considered probable. Interest on these assets is accounted for on a cash basis. All receipts are attributed to outstanding interest before being recognised as repayment of principal.

Incorporated in the Specific Provisions are bulk provisions made against statistically managed portfolios.

A General Provision for Bad and Doubtful Debts is maintained to cover unidentified possible losses and latent risks inherent in the overall portfolio of advances and other lending transactions. This is assessed having regard to the level of risk weighted credit exposure on and off balance sheet assets and a range of other criteria.

Bad debts specifically provided for and recoveries of the same are written off against Specific Provisions whilst bad debts not specifically provided for and recoveries of the same are written off through the General Provision. Amounts required to bring the Provisions to their assessed levels are recognised in the Statement of Financial Performance.

(j) Investments in Subsidiaries and Associates

Investments in Subsidiaries and Associates are recognised in the Statement of Financial Position at cost.

(k) Property, Plant and Equipment

Property, Plant and Equipment other than Land and Buildings are recognised in the Statement of Financial Position at cost less Accumulated Depreciation.

Land and Buildings are valued to reflect current use. The valuations are carried out by independent registered valuers in May of each year for all major buildings and cyclically over three years for all others. The valuers are all Associate Members of the New Zealand Institute of Valuers and the major valuers are Jones Lang LaSalle Advisory Limited (Auckland), Perry Heavey & Company Limited (Auckland) and Robisons (Whangarei). In light of prevailing economic conditions the Directors have adopted a valuation at or below the independent valuation and the properties are recognised in the Statement of Financial Position at those values with subsequent additions at cost.

Changes in valuations are transferred directly to Asset Revaluation Reserves. Where such a transfer results in a debit balance in the Asset Revaluation Reserves the deficit is transferred direct to the Statement of Financial Performance and any subsequent revaluation gains are written back through the Statement of Financial Performance to the extent of past deficits written off.

The cost or revalued amount of Property, Plant and Equipment (excluding land) less the estimated residual value is depreciated over their economic lives on a straight line basis. The range of economic lives of the major assets are:

Buildings	25-100 years
Furniture and Fittings	5-25 years
Other Property, Plant and Equipment	2-25 years
Computer Equipment, Software and Office Equipment	3-10 years

(l) Deposits

Deposits cover all forms of funding from customers including transactional and savings accounts, term deposits, certificates of deposit and credit balances on cards. Certificates of deposit are recognised at their fair value. Deposits that are processed in the Bank's Treasury Department are recognised in the Statement of Financial Position at their fair value less accrued interest, which is included in Interest Payable. Accrued. All other deposits are recognised at their outstanding principal balances.

(m) Subordinated Debt

Subordinated Debt is recognised in the Statement of Financial Position at principal plus accrued interest, as both components are subordinate to other liabilities.

(n) Foreign Currencies

All foreign currency monetary assets and liabilities are converted at the rates of exchange ruling as at balance date. Foreign currency forward futures, swaps and option positions are valued at the appropriate market rates applying at balance date. Unrealised gains and losses arising from these revaluations are recognised immediately in the Statement of Financial Performance.

(o) Taxation

Provision is made for taxation after taking advantage of all allowable deductions under current taxation legislation.

The liability method (comprehensive basis) of accounting for the taxation effect of timing differences between the accounting treatment and taxation treatment of certain items has been adopted.

Deferred Future Taxation Benefits are only recognised in the Statement of Financial Position where there is virtual certainty that the benefit will be utilised.

(p) Interest Rate Contracts

Interest Rate Futures, options and Forward Rate Agreements are used as part of the Banking Group's trading activities and are also used to hedge certain assets and liabilities, commitments and anticipated transactions. Gains and losses on interest rate contracts related to trading activities are recognised immediately in the Statement of Financial Performance. Gains and losses related to contracts that are designated and are effective as hedges are generally deferred and recognised in the Statement of Financial Performance over the expected remaining life of the hedged item.

(q) Interest Rate Swaps

Interest Rate Swaps entered into for purposes other than trading have the principal objective of managing balance sheet risk. To be effective as hedges, the derivatives are identified and allocated against the underlying instrument and generally modify the total exposure on that position. Such derivative financial instruments are purchased with the intent of being held to maturity. Derivatives that are designated and effective as hedges are accounted for on the same basis as the instruments they are hedging.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

(r) Financial Instruments

BASIS OF RECOGNITION

Assets and liabilities arising from the revaluation or accrual of interest on off balance sheet items are recognised in the Statement of Financial Position

Information on the face value and credit equivalents of off balance sheet items is given in notes 32, 37, 38 and 45

The basis for recognising all other financial instruments is covered in individual notes to these financial statements

Fair Value

Where available, quoted market prices are used as a measure of fair value. However, for some of the Bank's financial instruments, quoted market prices do not exist. Where this is the case, fair values are estimated using present value or other market accepted valuation techniques.

The methodologies and assumptions adopted are based on the terms and risk characteristics of the various financial instruments and include the following:

Cash and Liquid Assets

These assets are short term in nature and the related carrying value is equivalent to their fair value.

Investment Securities

For Investment Securities, the estimated fair value is based on quoted market prices.

Other Securities

For Other Securities, the estimated fair value recognised in the Statement of Financial Position is based on quoted market prices, which is also equivalent to their carrying value.

Advances

For floating rate Advances, the carrying amount in the Statement of Financial Position is considered a reasonable estimate of their fair value after making allowances for the fair value of non accrual and potential problem loans. For fixed rate Advances, fair value has been estimated using discounted cash flow models based on the interest rate repricing of the Advances. The discount rates applied in this calculation were based on current market interest rates for Advances with similar credit and maturity profiles.

Due to/from Associates and Subsidiaries

For Advances and Amounts Due to/from Associates and Subsidiaries, the carrying amounts in the Statement of Financial Position are a reasonable estimate of fair value.

Deposits and Other Liabilities

For non interest bearing debt, call and variable rate Deposits, the carrying amounts in the Statement of Financial Position are a reasonable estimate of their fair value. For other term Deposits, fair value was estimated using discounted cash flow models based on the maturity of the Deposits. The discount rates applied in these calculations were based on current market interest rates for similar Deposits with similar maturity profiles. For all other liabilities, the carrying amount in the Statement of Financial Position is a reasonable estimate of their fair value.

Subordinated Debt

For Subordinated Debt, the estimated fair value is based on quoted market rates of publicly traded securities of similar maturity.

Off Balance Sheet Items

For those off balance sheet items such as Direct Credit Substitutes (including acceptance and endorsement of Bills of Exchange), Trade and Performance Related Items and Commitments, no secondary market exists and it is therefore not practical to obtain fair values for those instruments. These items have therefore been excluded from fair value calculations. The fair values of Foreign Exchange and Interest Rate Contracts were obtained from quoted market prices, discounted cash flow models or option pricing models as appropriate.

(s) Statement of Cash Flows

This has been prepared using the direct approach modified by the netting of the cash flows associated with Securities Due to and from Other Banks, Advances, Deposits and amounts Due to / from Associates and Subsidiaries. This method provides more meaningful disclosure as many of the cash flows are on behalf of the Bank's customers and do not reflect the activities of the Bank. Cash and cash equivalents consist of cash and liquid assets used in the day to day cash management of the Bank.

CHANGES IN ACCOUNTING POLICIES

There have been no material changes in accounting policies. All policies have been applied on a basis consistent with that used in the prior year.

COMPARATIVE DATA

The Interest cost inherent in Foreign Exchange Contracts has been reported on a net basis in Interest Expense. The Credit Exposure Guarantee Fee previously included in Interest Expense is now included in Interest Income. Accrued Interest Receivable and Payable on Interest Rate Swaps is now reported on a net basis in Other Current Liabilities where a legal right of set off exists.

Certain comparative figures for the year ended 30 June 2001 have been reclassified to conform with the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

\$ millions	Consolidated		Parent	
	2002	2001	2002	2001

2 INTEREST INCOME

Advances	1,347.7	1,290.2	1,191.0	1,194.6
Investment Securities	36.7	20.2	-	-
Other Securities	113.1	162.8	118.0	162.8
Associates and Subsidiaries	-	0.1	62.5	60.0
Other	3.2	0.6	3.2	0.7
Total Interest Income	1,500.7	1,473.9	1,374.7	1,418.1

New Zealand Government and

Local Authority Securities Income (included above)

8.4 **12.9** **8.4** **12.9**

Interest Income on Advances includes interest earned on Impaired Assets of \$2.0m for consolidated (30 June 2001 \$1.7m) and \$1.7m for parent (30 June 2001 \$1.5m)

Consolidated

Within Investment Securities (refer note 12) deposits have been set off against interest bearing debentures. Accordingly for the year ended 30 June 2002 the Interest Expense of \$35.9m (30 June 2001 \$33.5m) on those deposits (7.20% p.a.) (30 June 2001 7.20% p.a.) has been set off against the debenture interest inclusive of imputation credits of \$53.6m (30 June 2001 \$53.6m) (8.74% p.a. inclusive of imputation credits) (30 June 2001 8.74% p.a. inclusive of imputation credits). This results in net interest earnings of \$17.7m (30 June 2001 \$20.2m) and is included in Investment Securities above of \$36.7m (30 June 2001 \$20.2m)

Parent

In Due from Associates and Subsidiaries (refer note 15) deposits have been set off against redeemable preference shares. Accordingly for the year ended 30 June 2002 the Interest Expense of \$35.9m (30 June 2001 \$33.5m) on these deposits (7.29% p.a.) (30 June 2001 7.29% p.a.) has been set off against the redeemable preference share dividend income of \$35.7m (30 June 2001 \$35.9m) (8.74% p.a. inclusive of imputation credits) (30 June 2001 8.74% p.a. inclusive of imputation credits). This results in net interest earnings of (\$0.2m) (30 June 2001 \$2.4m) being included in interest from Associates and Subsidiaries

3 INTEREST EXPENSE

Certificates of Deposit and Issued Paper	106.7	161.9	100.4	124.2
Retail Term Deposits	315.8	325.3	315.8	325.3
Other Deposits Bearing Interest	552.4	515.0	551.2	512.4
Associates and Subsidiaries	-	-	4.1	34.6
Subordinated Debt	17.4	14.3	17.4	14.3
Total Interest Expense	992.3	1,016.5	988.9	1,010.8

4 DISCONTINUED ACTIVITIES

There were no discontinued activities during the years ended 30 June 2002 and 30 June 2001

5 OTHER INCOME

Lending and Credit Facility Related Fees	55.5	55.4	55.5	55.4
Other Fees	108.3	92.3	90.4	78.0
Net Foreign Exchange Earnings and Commissions	27.7	24.9	27.0	24.2
Trading Gains	13.2	6.4	13.0	8.1
Rent	5.9	7.3	0.4	1.4
Other Income from Associates and Subsidiaries	-	-	11.0	8.7
Net Capital Gain/(Loss)	3.0	(0.1)	2.5	(0.1)
Dividends Received	0.7	-	54.6	12.5
Other	1.0	1.0	0.9	1.0
Total Other Income	215.3	187.2	255.3	189.2

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

\$ millions

	Consolidated		Parent	
	2002	2001	2002	2001
6 OPERATING EXPENSE DISCLOSURES				
Depreciation – Buildings	9.2	9.6	6.2	6.5
Depreciation – Other Assets	20.9	20.3	19.8	18.9
Operating Lease Rentals	35.6	34.2	33.4	32.0
Directors' Fees and Allowances	-	0.4	-	0.4
Net Losses on Sale of Property Plant and Equipment	0.2	0.6	0.2	0.4
7 AUDITORS' REMUNERATION				
Auditing Services	-	0.1	-	0.1
Ernst & Young were appointed as auditors of the Banking Group on 24 October 2000. The Group audit fee is paid by the Bank's ultimate parent bank, Commonwealth Bank of Australia.				
No fees for other services were paid to the Bank's auditors during the year (30 June 2001 Nil).				
8 TAXATION				
Net Surplus before Taxation	334.7	280.1	254.5	242.8
Permanent Differences				
Net Capital Gains	(3.0)	-	(2.5)	-
Change in General Provision for Doubtful Debts	12.0	8.3	7.4	8.1
Exempt Dividend Income	-	-	(89.6)	(48.4)
Other	(10.3)	4.6	3.0	2.8
	333.4	293.0	172.8	205.3
The current tax rate @ 33% gives the Statement of Financial Performance Income Tax Expense	110.0	96.7	57.0	67.7
Income Tax Expense is comprised of				
Current Taxation	106.0	96.4	52.3	66.5
Deferred Taxation	4.0	0.3	4.7	1.2
	110.0	96.7	57.0	67.7
9 DIVIDENDS				
Ordinary Dividends				
Interim	10.0	-	10.0	-
Final	-	150.0	-	150.0
Total Ordinary Dividends	10.0	150.0	10.0	150.0
Non Cumulative Preference Dividends				
Interim	-	1.5	-	1.5
Final	-	1.6	-	1.6
Total Non Cumulative Preference Dividends	-	3.1	-	3.1
Total Dividends	10.0	153.1	10.0	153.1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

\$ millions

10 CASH AND LIQUID ASSETS

	Consolidated		Parent	
	2002	2001	2002	2001
Cash and Cash at Bank	47.2	45.7	47.2	45.7
Cash in Transit	57.6	1.2	57.6	1.3
Demand Balances with Central Banks	0.9	-	0.9	-
Total Cash and Liquid Assets	105.7	46.9	105.7	47.0

11 DUE FROM OTHER BANKS

Call	22.5	74.7	10.9	61.5
Term	2,473.3	756.3	1,500.1	156.4
Total Due from Other Banks	2,495.8	831.0	1,511.0	217.9

12 SECURITIES

Investment Securities	484.0	154.8	-	-
Other Securities				
Local Authority Securities	2.8	3.1	2.8	3.1
New Zealand Government Securities	6.6	437.7	6.6	437.7
Treasury Bills	117.8	493.3	117.8	493.3
Other Securities	1,770.7	1,678.5	1,770.7	1,678.5
Total Other Securities	1,897.9	2,612.6	1,897.9	2,612.6

As at 30 June 2002 the Banking Group had an investment of \$622.7m (\$614.2m principal plus accrued interest) (30 June 2001 \$622.6m) in interest bearing debentures. The Banking Group had also received a deposit which as at 30 June 2002 amounted to \$502.8m (30 June 2001 \$467.9m). Both the debentures and the deposit mature in 2005. On maturity the value of the deposit with capitalised interest will amount to \$614.2m (plus accrued interest).

The Banking Group has entered into agreements such that on maturity the debentures will be used to extinguish the liability under the deposit. The two balances have been set off and recognised in Investment Securities as the net amount of \$119.9m (30 June 2001 \$154.8m).

13 ADVANCES

Loans and Other Receivables	19,038.7	16,180.3	17,444.1	15,032.9
Less Specific Provisions for Bad and Doubtful Debts	6.8	6.8	6.1	6.1
Total Advances	19,031.9	16,173.5	17,438.0	15,026.8

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

\$ millions

14 DEBT PROVISIONS

General Provision for Bad and Doubtful Debts
Balance at Beginning of Year
Charged to the Statement of Financial Performance
Bad Debts Recovered

Less: Bad Debts Written Off

Balance at End of Year

Specific Provisions for Bad and Doubtful Debts

Balance at Beginning of Year
Charged to the Statement of Financial Performance

New Provisions

Less: Amounts Recovered

Less: Advances Written Off

Plus: Increase in Bulk Provisions

Balance at End of Year

Total Debt Provisions

Debt Provisions Expense Charged
to the Statement of Financial Performance

General Provision

Specific Provisions

Total Debt Provisions Expense Charged
to the Statement of Financial Performance

As at 30 June 2002 the Specific Provisions were comprised of

- (a) Bulk provisions of \$5.0m (30 June 2001 \$4.0m) for both consolidated and parent and
- (b) Provisions relating to non accrual loans of \$1.8m (30 June 2001 \$2.8m) for consolidated and \$1.1m (30 June 2001 \$2.1m) for parent

15 DUE FROM ASSOCIATES AND SUBSIDIARIES

Parent

As at 30 June 2002 the Bank had invested in \$614.2m (30 June 2001 \$614.2m) of redeemable preference shares (accrued interest is included in Other Assets). As at 30 June 2002 the Bank had also received deposits from various subsidiaries which amounted to \$502.8m (30 June 2001 \$467.9m). Both the redeemable preference shares and deposits mature in 2005. On maturity the value of the deposits with capitalised interest will amount to \$614.2m (plus accrued interest) (30 June 2001 \$614.2m).

As at 30 June 2002 the two balances are recognised in Due from Associates and Subsidiaries \$1,666.0m (30 June 2001 \$1,246.5m) as the net amount of \$111.3m (30 June 2001 \$146.3m) as per an offset agreement between the parties.

	Consolidated		Parent	
	2002	2001	2002	2001
General Provision for Bad and Doubtful Debts				
Balance at Beginning of Year	59.3	51.0	57.9	49.8
Charged to the Statement of Financial Performance	16.9	12.1	11.6	11.7
Bad Debts Recovered	3.7	3.8	3.7	3.8
	79.9	66.9	73.2	65.3
Less: Bad Debts Written Off	8.6	7.6	7.9	7.4
Balance at End of Year	71.3	59.3	65.3	57.9
Specific Provisions for Bad and Doubtful Debts				
Balance at Beginning of Year	6.8	7.5	6.1	6.8
Charged to the Statement of Financial Performance				
New Provisions	3.0	3.1	3.0	2.8
Less: Amounts Recovered	1.9	1.7	1.9	1.7
Less: Advances Written Off	2.7	2.1	2.7	1.8
Plus: Increase in Bulk Provisions	1.6	-	1.6	-
Balance at End of Year	6.8	6.8	6.1	6.1
Total Debt Provisions	78.1	66.1	71.4	64.0
Debt Provisions Expense Charged to the Statement of Financial Performance				
General Provision	16.9	12.1	11.6	11.7
Specific Provisions	1.1	1.4	1.1	1.0
Total Debt Provisions Expense Charged to the Statement of Financial Performance	18.0	13.5	12.7	12.7

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

16 INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

	%	Nature of Business	Balance Date
Associates			
Electronic Transaction Services Limited	25	EFTPOS	31 March
Interchange and Settlement Limited	11	Interchange and Settlement	31 March
Mondex New Zealand Limited	17	Smartcard Operations	31 March
Subsidiaries			
ASB Finance Limited	100	Finance	30 June
ASB Investments Limited	100	Funds Management	30 June
ASB Management Services Limited	100	Management and Payment Services	30 June
ASB Nominees Limited	100	Trustee Company	30 June
ASB Properties Limited	100	Property and Investment	30 June
ASB Securities Limited	100	Sharebroking	30 June
ASB Smartcards Limited	100	Investment Holding Company	30 June
Hildon Holdings Limited	100	Finance	30 June
Hildon Investments Limited	100	Finance	30 June
IDD1 (No 1) Limited	100	Finance	30 June
IDD1 (No 2) Limited	100	Finance	30 June
ID1 (No 1) Limited	100	Finance	30 June
ID1 (No 2) Limited	100	Finance	30 June
Kings Ferry Holdings Limited	100	Finance	30 June
Kings Ferry Investments Limited	100	Finance	30 June
Kiwi Home Loans (NZ) Limited	100	Lending	30 June
LB Alpha Finance (Cayman) Limited	25	Investment	30 November
McCaig Investments Limited	100	Finance	30 June
Netbills Limited	100	Bill Processing	30 June
S H Lock (NZ) Limited	100	Trade Finance	30 June
SilverFern Investments Limited	25	Finance	31 December

During the year the 10% share of RD1 COM Limited was sold

McCaig Investments Limited was incorporated on 10 October 2001

Hildon Holdings Limited was incorporated on 22 March 2002

Hildon Investments Limited was incorporated on 25 March 2002

The consolidated financial statements also include the controlled entity Lighthouse Trust as an in substance subsidiary. Lighthouse Trust was established on 15 November 2001 and has a balance date of 31 December

LB Alpha Finance (Cayman) Limited is included as an in substance subsidiary as the 25% shareholding acquired 5 April 2002 represents 75% of the voting rights

SilverFern Investments Limited is included as an in substance subsidiary as the 25% shareholding represents 70% of the voting rights

The day to day management of SilverFern Investments Limited and LB Alpha Finance (Cayman) Limited is provided by external parties

The Companies Office has given exemptions for LB Alpha Finance (Cayman) Limited and SilverFern Investments Limited to maintain balance dates different to that of The Bank

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

\$ millions

17 PROPERTY, PLANT AND EQUIPMENT

		Consolidated		Parent	
		2002	2001	2002	2001
Land	Freehold	13 6	14 8	6 8	7 4
Buildings	Freehold	95 9	100 1	23 8	27 5
	Leasehold	65 9	53 2	60 4	48 1
	Less Accumulated Depreciation	42 2	33 5	36 5	30 6
		119 6	119 8	47 7	45 0
Other Assets		246 6	215 4	231 3	203 7
	Less Accumulated Depreciation	179 3	155 0	167 0	147 3
		67 3	60 4	64 3	56 4
Total Property Plant and Equipment		200 5	195 0	118 8	108 8

Other Assets include Computer Equipment Software Office Equipment Furniture and Fittings and Motor Vehicles

No property was intended for sale as at 30 June 2002 (30 June 2001 Nil) for both consolidated and parent

The total of the latest Government valuations of the consolidated Freehold Land and Buildings amounts to \$132 4m (30 June 2001 \$132 1m)
Cost of additions subsequent to those valuations amounts to \$0 5m (30 June 2001 \$0 2m)

18 OTHER ASSETS

Interest Receivable Accrued	63 8	24 2	26 3	13 7
Other Current Assets	34 1	25 7	18 7	23 4
Total Other Assets	97 9	49 9	45 0	37 1

19 DEFERRED TAXATION BENEFIT

Balance at Beginning of Year	11 1	11 4	13 1	14 3
Net Movements in Timing Differences During Year	(4 0)	(0 3)	(4 7)	(1 2)
Balance at End of Year	7 1	11 1	8 4	13 1
The Deferred Taxation Benefit relates to				
Specific Provisions for Bad and Doubtful Debts	1 7	2 0	1 4	1 8
Depreciation	2 1	2 1	4 5	4 4
Other	3 3	7 0	2 5	6 9
Total Deferred Taxation Benefit	7 1	11 1	8 4	13 1

20 DEPOSITS

Certificates of Deposit and Issued Paper	3,901 8	4 702 1	3,851 1	4 455 5
Retail Term Deposits	6,539 3	5 377 4	6 539 3	5 377 4
Other Deposits Bearing Interest	6,895 8	6 747 6	6,894 0	6 747 2
Deposits Not Bearing Interest	926 3	791 8	926 7	791 8
Total Deposits	18 263 2	17 618 9	18,211 1	17 371 9

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

\$ millions

	Consolidated		Parent	
	2002	2001	2002	2001
21 DUE TO OTHER BANKS				
Call	51 5	481 3	51 5	481 3
Term	4 365 7	662 6	4,353 5	662 6
Total Due to Other Banks	4 417 2	1 143 9	4 405 0	1 143 9
22 OTHER CURRENT LIABILITIES				
Interest Payable Accrued	156 7	100 9	155 6	98 5
Employee Entitlements	22 3	20 2	22 3	20 2
Provision for Income Tax	24 2	11 0	(5 0)	(1 8)
Trade Accounts Payable and Other Liabilities	78 0	56 2	64 7	47 4
Total Other Current Liabilities	281 2	188 3	237 6	164 3
23 SUBORDINATED DEBT				
<p>The subordinated debt is subordinate to all other general liabilities of the Bank. All subordinated debt is denominated in New Zealand dollars \$100 0m face value matures 15 December 2009 with a coupon rate of 8.30% until 15 December 2004 after which the rate will be reset against the three month Bank Bill benchmark rate. The first subordinated debt is callable on 15 December 2004. Another \$100 0m face value matures 30 August 2010 with a coupon rate which is reset against the three month Bank Bill benchmark rate. This subordinated debt is callable on 30 August 2005. A further \$50 0m face value matures 28 June 2011 with a coupon rate which is reset against the three month Bank Bill benchmark rate. This subordinated debt is callable on 28 June 2006.</p> <p>All subordinated debt qualifies as Lower Tier Two Capital for Capital Adequacy calculation purposes.</p>				
24 CONTRIBUTED CAPITAL				
323 121 300 Ordinary Shares	323 1	323 1	323 1	323 1
Total Contributed Capital	323 1	323 1	323 1	323 1
<p>All Ordinary Shares have equal voting rights and share equally in dividends and surplus on winding up.</p> <p>Dividends are declared subject in all cases to the applicable Directors' resolutions being passed.</p>				
25 ASSET REVALUATION RESERVES				
Total Asset Revaluation Reserves at Beginning of Year	6 3	-	11 3	-
(Devaluations)	(1 6)	(7 5)	(0 4)	-
Transfers to Accumulated Surplus	-	13 8	-	11 3
Total Asset Revaluation Reserves at End of Year	4 7	6 3	10 9	11 3
26 ACCUMULATED SURPLUS				
Total Accumulated Surplus at Beginning of Year	490 3	473 8	454 2	443 5
Net Surplus after Taxation	224 7	183 4	197 5	175 1
Less				
Ordinary Dividends	10 0	150 0	10 0	150 0
Non Cumulative Preference Dividends	-	3 1	-	3 1
Transfers to Asset Revaluation Reserves	-	13 8	-	11 3
Total Accumulated Surplus at End of Year	705 0	490 3	641 7	454 2

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

\$ millions

27 RECONCILIATION OF NET SURPLUS AFTER TAXATION TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated		Parent	
	2002	2001	2002	2001
Net Surplus after Taxation	224.7	183.4	197.5	175.1
Add: Movements in Balance Sheet Items				
Interest Receivable Accrued – (Increase) / Decrease	(31.6)	(13.8)	–	1.9
Interest Payable Accrued – Increase	51.5	22.7	52.1	24.2
Other Income Accrued – (Increase) / Decrease	(3.7)	12.4	4.9	(3.1)
Operating Expenses Accrued – Increase	6.1	11.7	2.0	8.5
Taxation Balances – Increase / (Decrease)	17.3	8.6	1.6	(2.8)
	39.6	41.6	60.6	28.7
Add: Non Cash Items				
Bad and Doubtful Debts	21.7	17.3	16.4	16.5
Depreciation	30.1	29.9	26.0	25.4
Capital Gain on Sale of Shares in Associates and Subsidiaries	(3.0)	–	(3.0)	–
Net Losses on Sale of Property, Plant and Equipment	0.2	0.8	0.2	0.6
	49.0	48.0	39.6	42.5
Net Cash Flows from Operating Activities	313.3	273.0	297.7	246.3

28 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF FINANCIAL POSITION

Cash and Liquid Assets	105.7	46.9	105.7	47.0
Demand Balances Due from Other Banks	22.5	74.7	10.9	61.5
Demand Balances Due to Other Banks	(51.5)	(481.3)	(51.5)	(481.3)
Total Cash and Cash Equivalents at End of Year	76.7	(359.7)	65.1	(372.8)

29 IMPUTATION CREDIT ACCOUNT

Balance at Beginning of Year	10.2	93.5	–	–
Income Tax Paid	15.7	32.0	–	–
Imputation Credits Attached to Dividends Received	18.0	17.6	–	–
Less:				
Transfer to ASB Holdings Tax Group	–	4.8	–	–
Imputation Credits Attached to Dividends Paid	31.7	75.4	–	–
Imputation Credits Transferred (from) / to Policyholder Credit Account	(4.3)	46.5	–	–
Imputation Credits Adjustment Due to Change in Shareholding	–	6.2	–	–
Balance at End of Year	16.5	10.2	–	–

Dividends paid by resident companies may include imputation credits representing the taxation already paid by the company or tax group on the surpluses distributed by way of dividends. New Zealand resident shareholders may claim a tax credit to the value of the imputation credit attached to the dividends.

The Bank, together with its subsidiary companies and a number of associated companies, form a consolidated group for income tax purposes. Accordingly, income tax payments and imputation credit movements are generally reported on a consolidated basis and are available to shareholders through their shareholding in the Bank.

POLICYHOLDER CREDIT ACCOUNT

Balance at Beginning of Year	107.0	60.5	–	–
Transfer (to)/from Imputation Credit Account During Year	(4.3)	46.5	–	–
Balance at End of Year	102.7	107.0	–	–

In the consolidated tax group, one of the fellow subsidiary companies (Sovereign Group Limited) is a life insurance company which gives rise to a tax group Policyholder Credit Account. The balance of the Policyholder Credit Account is available to be transferred back to the Imputation Credit Account at the discretion of the Directors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

30 RELATED PARTY TRANSACTIONS AND BALANCES

Effective 1 July 2001 the ownership of the bank moved from ASB Group Limited to ASB Group (Holdings) Limited which is effectively a 100% owned subsidiary of Commonwealth Bank of Australia

During the year ended 30 June 2002 the Bank has entered into or had in place various financial transactions with members of the Commonwealth Bank Group and other related parties. In all cases these arrangements were conducted on market terms and conditions and within the Bank's approved policies. Due to the transactional nature of banking it is the opinion of the Directors that disclosure of total transactions processed for the year ended 30 June 2002 did not add any useful information with the exception of

Payments of \$0.7m (30 June 2001 \$0.2m) were made to Commonwealth Bank of Australia to guarantee repayments to the bank and its subsidiaries for obligations against default by a counterparty referred to in note 43

Payments of \$35.8m, \$1.6m, \$6.5m and \$1.7m (30 June 2001 \$11.4m, \$7.1m, \$8.9m and Nil) were made to the ASB Group (Life) Limited Group of Companies, ASB Group Limited, CBA NZ Subsidiaries and ASB Holdings Limited respectively for the utilisation of tax losses

A payment of \$5.6m (30 June 2001 \$4.4m) was made to ASB Group (Life) Limited Group of Companies for the origination of mortgages

A payment of \$4.4m (30 June 2001 \$4.0m) was made to IT Fleet NZ (No 2) Limited for leasing of equipment

Dealings with Directors and Parties Related to Directors: Payments of \$0.5m (30 June 2001 \$0.6m) were made to Research Solutions Limited for services rendered

The Bank provides administrative functions for some subsidiaries and related companies for which no payments have been made

Related Party Balances \$ millions	2002		2001	
	Assets	Liabilities	Assets	Liabilities
Commonwealth Bank Group (100% Ultimate Shareholder)	30.1	4,509.6	43.6	788.8
ASB Holdings Limited (100% Ultimate New Zealand Shareholder)	-	34.0	-	-
ASB Group Limited (Subsidiary of Commonwealth Bank Group)	0.9	16.0	0.3	19.3
ASB Group (Life) Limited Group of Companies (Subsidiary of Commonwealth Bank Group)	4.0	272.5	0.3	231.9
ASB Bank Provident Savings Fund (Staff Superannuation Scheme)	-	-	-	0.1
ASB Unit Trusts (Funds Manager)	2.3	606.5	1.7	417.5
ASB Retirement Savings Scheme (Easyplan)	1.7	51.6	2.9	59.1
ASB Superannuation Scheme (Master Trust)	-	2.0	-	1.4
Body Corporate 135 Albert Street (Management of ASB Bank Centre)	0.2	0.3	0.2	0.5
IT Fleet NZ (No 2) Limited (Subsidiary of Commonwealth Bank Group)	-	0.8	-	0.8
RD1 COM Limited (Previously an Associate)	-	-	1.2	-

Colonial Group, Sovereign Group Limited and Sovereign Group of Companies have been amalgamated into ASB Group (Life) Limited Group of Companies. Comparatives have been restated.

Off Balance Sheet Items

The Bank has in place interest rate swaps with Commonwealth Bank Group with a face value of \$462.7m (30 June 2001 \$545.8m), currency swaps with a face value of \$849.3m (30 June 2001 \$39.9m) and forward exchange contracts with a face value of \$672.5m (30 June 2001 \$1,698.8m). The Bank has forward exchange contracts with ASB Unit Trusts with a face value of \$72.9m (30 June 2001 \$77.7m), ASB Retirement Savings Scheme with a face value of \$143.8m (30 June 2001 \$138.3m) and with ASB Master Trust Scheme \$5.7m (30 June 2001 \$3.6m). The Bank has foreign exchange contracts with the ASB Group (Life) Limited Group of Companies with a face value of \$75.9m (30 June 2001 \$92.4m). The Bank has interest rate swaps with ASB Group Limited of \$63.0m (30 June 2001 \$63.0m).

31 LOANS TO/DEPOSITS FROM DIRECTORS

Loans to Directors

As at 30 June 2002 the aggregate amount of loans to Directors of the Banking Group, their spouses, dependants, trusts or entities in which any of these persons have an interest of not less than 10% was \$2.9m (30 June 2001 \$3.5m).

All loans were made in the ordinary course of business of the Bank and on an arm's length basis and on normal commercial terms and conditions. The interest rates applicable are between 6.7% and 18.75%. Terms of repayment range between variable fixed rates up to two years and interest only loans, all of which have been in accordance with the Bank's lending policies.

Directors: R. Boven, G.H. Burrett, P.S. Hall, G.J. Judd, J.S.N. Mitchell, T.J. Preston, J.M.R. Syme, C.G. Wakefield, L.A. Wood, S.T. Wright

Deposits from Directors

The aggregate amount payable by the Bank to Directors as at 30 June 2002 was \$1.2m (30 June 2001 \$2.4m). The amount payable consists of savings, cheque, term deposit and cash management balances, all lodgements being made and conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

Interest rates are from 0% to 5%, terms of repayment ranging between on call and 90 day terms.

Directors: R. Boven, G.H. Burrett, J.W. Duncan, P.A. Edwards, P.S. Hall, J.A. Hood, G.J. Judd, J.M.R. Syme, L.A. Wood, S.T. Wright

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

	Consolidated				Parent			
	2002		2001		2002		2001	
	Notional Amount	Credit Equivalent	Notional Amount	Credit Equivalent	Notional Amount	Credit Equivalent	Notional Amount	Credit Equivalent

\$ millions

32 CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

(a) Commitments

Lending Commitments Approved but Not Yet Advanced	3 428 9	388 8	2 898 0	246 6	3,551 7	450 2	2 848 6	221 9
Capital Expenditure Commitments	13 6	13 6	11 6	11 6	13 6	13 6	11 3	11 3
Other Commitments	-	-	2 6	2 6	-	-	2 6	2 6
Total Commitments	3 442 5	402 4	2 912 2	260 8	3 565 3	463 8	2 862 5	235 8

(b) Contingent Liabilities

Guarantees	51 1	25 7	80 3	51 8	51 2	25 8	269 8	146 6
Standby Letters of Credit	54 0	54 0	31 4	31 4	54 0	54 0	31 4	31 4
Other Arrangements Entered Into	27 2	7 3	38 7	13 6	27 2	7 3	38 7	13 6
Total Contingent Liabilities	132 3	87 0	150 4	96 8	132 4	87 1	339 9	191 6

(c) The Bank guarantees ASB Finance Limited's issue of Promissory Notes. ASB Finance Limited had \$50.8m outstanding Promissory Notes as at 30 June 2002 (30 June 2001 \$246.5m). The Promissory Note guarantee has been included in (b) above.

(d) The Bank has a loyalty programme in connection with the use of its credit cards. The Bank only expects a portion of outstanding points to be redeemed. The dollar value of outstanding points that have not been provided for as at 30 June 2002 is \$2.4m (30 June 2001 \$2.3m) and is included in (b) above.

	Consolidated		Parent	
	2002	2001	2002	2001

\$ millions

33 LEASING COMMITMENTS

The following non cancellable operating lease commitments existed at the end of the year

Within One Year of Balance Date	33 6	33 4	31 0	30 1
Between One and Two Years	26 6	24 6	23 4	22 1
Between Two and Five Years	52 7	52 0	44 6	43 1
Over Five Years	59 8	72 4	46 0	56 1
Total Leasing Commitments	172 7	182 4	145 0	151 4

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

34 MATERIAL FOREIGN CURRENCY BALANCES

Material Assets and Liabilities denominated in foreign currencies recognised in these financial statements and Net Open Positions were

As at 30 June 2002

	Exchange Rate	Assets NZ \$m	Liabilities NZ \$m	Net Open Position
US Dollar	0 4883	397 0	503 2	6 5
Australian Dollar	0 8653	427 6	1 273 0	34 7
Sterling	0 3201	623 5	47 7	0 1
Japanese Yen	58 3871	16 9	2 143 9	(13 6)
EURO	0 4944	0 6	19 5	0 4
Canadian Dollar	0 7384	0 2	1 2	(0 1)

As at 30 June 2001

US Dollar	0 4036	37 7	164 6	(25 8)
Australian Dollar	0 7966	77 8	991 1	1 8
Sterling	0 2866	4 7	30 0	0 6
Japanese Yen	50 0540	15 4	2 963 9	0 5
Deutschmarks	0 9339	–	1 4	(1 6)
EURO	0 4775	–	10 1	4 1
Hong Kong Dollar	3 1480	2 0	0 2	(0 1)
Canadian Dollar	0 6150	–	1 4	(0 1)

As at 30 June 2002

	Exchange Rate	Assets NZ \$m	Liabilities NZ \$m	Net Open Position
US Dollar	0 4883	34 8	491 0	6 5
Australian Dollar	0 8653	13 1	1 222 2	34 7
Sterling	0 3201	3 5	26 8	0 1
Japanese Yen	58 3871	16 9	2 143 9	(13 6)
EURO	0 4944	0 6	19 5	0 4
Canadian Dollar	0 7384	0 2	1 2	(0 1)

As at 30 June 2001

US Dollar	0 4036	37 7	164 6	(25 8)
Australian Dollar	0 7966	20 8	933 0	1 8
Sterling	0 2866	4 7	30 0	0 6
Japanese Yen	50 0540	15 4	2 963 9	0 5
Deutschmarks	0 9339	–	1 4	(1 6)
EURO	0 4775	–	10 1	4 1
Hong Kong Dollar	3 1480	2 0	0 2	(0 1)
Canadian Dollar	0 6150	–	1 4	(0 1)

Differences between total monetary assets and total monetary liabilities in individual currencies are covered by contracts with other parties and/or are controlled within internal policy limits

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

\$ millions

35 FAIR VALUE OF FINANCIAL INSTRUMENTS

Consolidated

Balance Sheet Items

	2002 Carrying Amount	2002 Fair Value	2001 Carrying Amount	2001 Fair Value
Cash and Liquid Assets	105 7	105 7	46 9	46 9
Due from Other Banks	2 495 8	2 495 8	831 0	831 0
Investment Securities	484 0	503 0	154 8	164 7
Other Securities	1 897 9	1 897 9	2 612 6	2 612 6
Advances	19,031 9	18,988 3	16 173 5	16 209 3
Due from Associates and Subsidiaries	-	-	1 7	1 7
Other Assets	97 9	97 9	49 9	49 9
Deposits	18 263 2	18 256 5	17 618 9	17 628 9
Due to Other Banks	4,417 2	4,417 2	1 143 9	1 143 9
Subordinated Debt	255 2	255 6	250 9	250 9

Parent

Balance Sheet Items

	2002 Carrying Amount	2002 Fair Value	2001 Carrying Amount	2001 Fair Value
Cash and Liquid Assets	105 7	105 7	47 0	47 0
Due from Other Banks	1,511 0	1,511 0	217 9	217 9
Other Securities	1 897 9	1 897 9	2 612 6	2 612 6
Advances	17,438 0	17,398 2	15 026 8	15 062 3
Due from Associates and Subsidiaries	1 666 0	1,685 0	1 246 5	1 256 5
Other Assets	45 0	45 0	37 1	37 1
Deposits	18 211 1	18,204 4	17 371 9	17 381 9
Due to Other Banks	4 405 0	4 405 0	1 143 9	1 143 9
Due to Associates and Subsidiaries	70 0	70 0	252 3	252 3
Subordinated Debt	255 2	255 6	250 9	250 9

Off Balance Sheet Items

There are no fair values for Direct Credit Substitutes Trade and Performance Related Items and Commitments as no secondary market exists
Refer to note 45 for details of Fair Values of Derivative Financial Instruments

36 FINANCIAL REPORTING BY SEGMENTS

The Bank operates predominantly in the banking industry within New Zealand. Notes 39 and 40 show the geographical distribution of credit exposures and funding within New Zealand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

\$ millions	Weighted Average Interest Rate %	Consolidated					Total
		0-6	6-12	1-2	2-5	Over 5	
		Months	Months	Years	Years	Years	

37 INTEREST RATE REPRICING SCHEDULE

As at 30 June 2002

Monetary Assets							
Cash and Liquid Assets	-	105 7	-	-	-	-	105 7
Due from Other Banks	7 8	1 545 8	-	-	600 0	350 0	2 495 8
Investment Securities*	4 4	364 0	-	-	120 0	-	484 0
Other Securities	6 0	1 862 7	20 1	3 5	3 9	7 7	1,897 9
Advances	7 4	10 661 4	3,346 8	3 655 8	1,367 9	-	19 031 9
Other Monetary Assets	-	97 9	-	-	-	-	97 9
Total Monetary Assets		14 637 5	3 366 9	3,659 3	2 091 8	357 7	24,113 2
Monetary Liabilities							
Deposits	3 9	16,733 2	1,082 6	281 2	166 2	-	18,263 2
Due to Other Banks	5 4	4,417 2	-	-	-	-	4 417 2
Other Current Liabilities	-	281 2	-	-	-	-	281 2
Subordinated Debt	6 6	155 1	-	-	100 1	-	255 2
Total Monetary Liabilities		21,586 7	1 082 6	281 2	266 3	-	23 216 8
(Weighted Average Interest Rate on Liabilities)		3 82%	4 14%	6 27%	6 70%	-	
Off Balance Sheet Items		6,875 7	(1 619 7)	(3,140 8)	(1 735 2)	(380 0)	-

As at 30 June 2001

Monetary Assets							
Cash and Liquid Assets	-	46 9	-	-	-	-	46 9
Due from Other Banks	7 4	231 0	-	-	600 0	-	831 0
Investment Securities*	1 5	-	-	-	154 8	-	154 8
Other Securities	5 7	2 125 0	359 0	13 9	110 9	3 8	2 612 6
Advances	7 9	9 155 2	2 572 7	2 722 9	1 695 1	27 6	16 173 5
Due from Associates and Subsidiaries	1 9	1 7	-	-	-	-	1 7
Other Monetary Assets	-	49 9	-	-	-	-	49 9
Total Monetary Assets		11 609 7	2 931 7	2 736 8	2 560 8	31 4	19 870 4
Monetary Liabilities							
Deposits	4 1	16 070 9	1 305 6	162 7	79 7	-	17 618 9
Due to Other Banks	5 2	1 143 9	-	-	-	-	1 143 9
Other Current Liabilities	-	188 3	-	-	-	-	188 3
Subordinated Debt	7 3	150 5	-	-	100 4	-	250 9
Total Monetary Liabilities		17 553 6	1 305 6	162 7	180 1	-	19 202 0
(Weighted Average Interest Rate on Liabilities)		4 18%	2 82%	6 56%	7 74%	-	
Off Balance Sheet Items		5 914 7	(2 103 0)	(2 242 8)	(1 527 0)	(41 9)	-

*Offset arrangement and Imputation Credits result in a nominal interest rate that does not reflect the actual value of the investment (refer note 2)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

\$ millions	Weighted Average Interest Rate %	Parent					Total
		0-6	6-12	1-2	2-5	Over 5	
		Months	Months	Years	Years	Years	
37 INTEREST RATE REPRICING SCHEDULE (Continued)							
As at 30 June 2002							
Monetary Assets							
Cash and Liquid Assets	-	105 7	-	-	-	-	105 7
Due from Other Banks	5 5	1,511 0	-	-	-	-	1 511 0
Investment Securities*	-	-	-	-	-	-	-
Other Securities	6 0	1 862 7	20 1	3 5	3 9	7 7	1 897 9
Advances	7 7	9,667 5	3 346 8	3 655 8	767 9	-	17,438 0
Due from Associates and Subsidiaries	5 5	1 554 7	-	-	111 3	-	1 666 0
Other Monetary Assets	-	45 0	-	-	-	-	45 0
Total Monetary Assets		14 746 6	3,366 9	3 659 3	883 1	7 7	22,663 6
Monetary Liabilities							
Deposits	3 9	16,681 1	1,082 6	281 2	166 2	-	18,211 1
Due to Other Banks	5 4	4 405 0	-	-	-	-	4,405 0
Due to Associates and Subsidiaries	0 2	70 0	-	-	-	-	70 0
Other Current Liabilities	-	237 6	-	-	-	-	237 6
Subordinated Debt	6 6	155 1	-	-	100 1	-	255 2
Total Monetary Liabilities		21 548 8	1 082 6	281 2	266 3	-	23,178 9
<i>(Weighted Average Interest Rate on Liabilities)</i>		3 81%	4 14%	6 27%	6 70%	-	
Off Balance Sheet Items		5,273 9	(1,434 1)	(2 783 8)	(676 0)	(380 0)	-
As at 30 June 2001							
Monetary Assets							
Cash and Liquid Assets	-	47 0	-	-	-	-	47 0
Due from Other Banks	5 1	217 9	-	-	-	-	217 9
Other Securities	5 7	2 125 0	359 0	13 9	110 9	3 8	2 612 6
Advances	7 9	8 362 8	2 381 1	2 569 5	1 685 8	27 6	15 026 8
Due from Associates and Subsidiaries*	6 5	1 091 7	-	-	154 8	-	1 246 5
Other Monetary Assets	-	37 1	-	-	-	-	37 1
Total Monetary Assets		11 881 5	2 740 1	2 583 4	1 951 5	31 4	19 187 9
Monetary Liabilities							
Deposits	4 1	15 823 9	1 305 6	162 7	79 7	-	17 371 9
Due to Other Banks	5 2	1 143 9	-	-	-	-	1 143 9
Due to Associates and Subsidiaries	3 9	252 3	-	-	-	-	252 3
Other Current Liabilities	-	164 3	-	-	-	-	164 3
Subordinated Debt	7 3	150 5	-	-	100 4	-	250 9
Total Monetary Liabilities		17 534 9	1 305 6	162 7	180 1	-	19 183 3
<i>(Weighted Average Interest Rate on Liabilities)</i>		4 47%	2 82%	6 56%	7 74%	-	
Off Balance Sheet Items		5 583 3	(1 933 3)	(2 124 3)	(1 483 8)	(41 9)	-

*Offset arrangement and Imputation Credits result in a nominal interest rate that does not reflect the actual value of the investment (refer note 2)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

\$ millions

38 CAPITAL ADEQUACY

Capital

Tier One Capital

Issued and Fully Paid up Ordinary Share Capital
Revenue and Similar Reserves at Beginning of Year
Current Year's Accumulated Surplus

Total Tier One Capital

Tier Two Capital (Upper)

General Provision for Bad and Doubtful Debts
Asset Revaluation Reserve

Total Tier Two Capital (Upper)

Tier Two Capital (Lower)

Term Subordinated Debt

Total Tier Two Capital (Lower)

Total Capital

Risk Weighted Exposures

Total Balance Sheet Exposures
Total Off Balance Sheet Exposures

Total Risk Weighted Exposures

Tier One Capital expressed as a percentage
of Total Risk Weighted Exposures

Total Capital expressed as a percentage
of Total Risk Weighted Exposures

	Consolidated		Parent	
	2002	2001	2002	2001
Issued and Fully Paid up Ordinary Share Capital	323 1	323 1	323 1	323 1
Revenue and Similar Reserves at Beginning of Year	490 3	473 8	454 2	443 5
Current Year's Accumulated Surplus	214 7	16 5	187 5	10 6
Total Tier One Capital	1,028 1	813 4	964 8	777 2
General Provision for Bad and Doubtful Debts	71 3	59 3	65 3	57 9
Asset Revaluation Reserve	4 7	6 3	10 9	11 3
Total Tier Two Capital (Upper)	76 0	65 6	76 2	69 2
Term Subordinated Debt	255 2	250 9	255 2	250 9
Total Tier Two Capital (Lower)	255 2	250 9	255 2	250 9
Total Capital	1,359 3	1 129 9	1 296 2	1 097 3
Total Balance Sheet Exposures	12,625 7	10 842 4	13 618 2	11 279 7
Total Off Balance Sheet Exposures	391 7	374 0	455 7	348 7
Total Risk Weighted Exposures	13,017 4	11 216 4	14 073 9	11 628 4
Tier One Capital expressed as a percentage of Total Risk Weighted Exposures	7 90%	7 25%	6 86%	6 68%
Total Capital expressed as a percentage of Total Risk Weighted Exposures	10 44%	10 07%	9 21%	9 44%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

38 CAPITAL ADEQUACY (Continued)

Risk Weighted Exposures

As at 30 June 2002

Balance Sheet Exposures

	Principal Amount \$ millions	Risk Weight %	Risk Weighted Exposure \$ millions
Cash and Short Term Claims on Government	1,244 8	-	-
Long Term Claims on Government	596 2	10	59 6
Claims on Banks	2 563 3	20	512 7
Claims on Public Sector Entities	103 8	20	20 8
Claims Secured by Residential Mortgages	15 560 4	50	7 780 2
Other	4,252 4	100	4,252 4
Total Balance Sheet Exposures	24 320 9		12 625 7

(excludes General Provision for Bad and Doubtful Debts)

Off Balance Sheet Exposures

	Principal Amount \$ millions	Credit Conversion Factor %	Credit Equivalent Amount \$ millions	Average Counterparty Risk Weight %	Risk Weighted Exposure \$ millions
Direct Credit Substitutes	54 4	100	54 4	100	54 4
Commitments with Certain Drawdown	13 6	100	13 6	100	13 6
Underwriting and Sub underwriting Facilities	-	50	-	100	-
Transaction Related Contingent Items	56 8	50	28 4	100	28 4
Short Term Self liquidating Trade Related Contingencies	21 0	20	4 2	100	4 2
Other Commitments to Provide Financial Services Which Have an Original Maturity of One Year or More	777 7	50	388 8	57	220 9
Other Commitments with an Original Maturity of Less Than One Year or Which can be Unconditionally Cancelled at any Time	2,651 3	-	-	-	-
Market Related Contracts (current exposure)					
Foreign Exchange Contracts	6 679 4	3 4	225 6	24	53 7
Interest Rate Contracts	20 061 6	0 3	66 0	25	16 5

Total Off Sheet Exposures

391 7

Total Risk Weighted Exposures

13 017 4

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

38 CAPITAL ADEQUACY (Continued)

Risk Weighted Exposures

As at 30 June 2001

Balance Sheet Exposures

	Principal Amount \$ millions	Risk Weight %	Risk Weighted Exposure \$ millions
Cash and Short Term Claims on Government	876.4	–	–
Long Term Claims on Government	104.0	10	10.4
Claims on Banks	2,099.0	20	419.8
Claims on Public Sector Entities	73.0	20	14.6
Claims Secured by Residential Mortgages	13,061.5	50	6,530.8
Other	3,866.8	100	3,866.8
Non Risk Weighted Assets	0.3	–	–
Total Balance Sheet Exposures	20,081.0		10,842.4

(excludes General Provision for Bad and Doubtful Debts)

Off Balance Sheet Exposures

	Principal Amount \$ millions	Credit Conversion Factor %	Credit Equivalent Amount \$ millions	Average Counterparty Risk Weight %	Risk Weighted Exposure \$ millions
Direct Credit Substitutes	54.7	100	54.7	100	54.7
Commitments with Certain Drawdown	14.2	100	14.2	100	14.2
Underwriting and Sub underwriting Facilities	9.0	50	4.5	100	4.5
Transaction Related Contingent Items	67.4	50	33.7	100	33.7
Short Term Self liquidating Trade Related Contingencies	19.3	20	3.9	100	3.9
Other Commitments to Provide Financial Services Which Have an Original Maturity of One Year or More	493.2	50	246.6	77	189.0
Other Commitments with an Original Maturity of Less Than One Year or Which can be Unconditionally Cancelled at any Time	2,404.8	–	–	–	–
Market Related Contracts (current exposure)					
Foreign Exchange Contracts	8,524.3	2.9	246.5	23	55.9
Interest Rate Contracts	13,250.9	0.6	75.1	24	18.1
Total Off Balance Sheet Exposures					374.0
Total Risk Weighted Exposures					11,216.4

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

	Parent	Risk
Principal	Risk	Weighted
Amount	Weight	Exposure
\$ millions	%	\$ millions

38 CAPITAL ADEQUACY (Continued)

Risk Weighted Exposures

As at 30 June 2002

Balance Sheet Exposures

Cash and Short Term Claims on Government	1 244 8	-	-
Long Term Claims on Government	246 2	10	24 6
Claims on Banks	1 565 0	20	313 0
Claims on Public Sector Entities	103 8	20	20 8
Claims Secured by Residential Mortgages	15,600 6	50	7 800 3
Other	5 459 5	100	5,459 5
Total Balance Sheet Exposures	24 219 9		13 618 2

(excludes General Provision for Bad and Doubtful Debts)

Off Balance Sheet Exposures

	Principal Amount \$ millions	Credit Conversion Factor %	Credit Equivalent Amount \$ millions	Average Counterparty Risk Weight %	Risk Weighted Exposure \$ millions
Direct Credit Substitutes	54 4	100	54 4	100	54 4
Commitments with Certain Drawdown	13 6	100	13 6	100	13 6
Underwriting and Sub underwriting Facilities	-	50	-	100	-
Transaction Related Contingent Items	56 9	50	28 5	100	28 5
Short Term Self Liquidating Trade Related Contingencies	21 0	20	4 2	100	4 2
Other Commitments to Provide Financial Services Which Have an Original Maturity of One Year or More	900 4	50	450 2	68	303 8
Other Commitments with an Original Maturity of Less Than One Year or Which can be Unconditionally Cancelled at any Time	2 651 3	-	-	-	-
Market Related Contracts (current exposure)					
Foreign Exchange Contracts	5,355 4	3 0	159 4	22	35 1
Interest Rate Contracts	19 949 1	0 3	65 3	25	16 1

Total Off Balance Sheet Exposures

455 7

Total Risk Weighted Exposures

14 073 9

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

38 CAPITAL ADEQUACY (Continued)

Risk Weighted Exposures

As at 30 June 2001

Balance Sheet Exposures

	Principal Amount \$ millions	Risk Weight %	Risk Weighted Exposure \$ millions
Cash and Short Term Claims on Government	876.4	-	-
Long Term Claims on Government	104.0	10	10.4
Claims on Banks	1 485.9	20	297.2
Claims on Public Sector Entities	73.0	20	14.6
Claims Secured by Residential Mortgages	13 065.5	50	6 532.8
Other	4 424.7	100	4 424.7
Non Risk Weighted Assets	0.3	-	-
Total Balance Sheet Exposures	20 029.8		11 279.7

(excludes General Provision for Bad and Doubtful Debts)

Off Balance Sheet Exposures

	Principal Amount \$ millions	Credit Conversion Factor %	Credit Equivalent Amount \$ millions	Average Counterparty Risk Weight %	Risk Weighted Exposure \$ millions
Direct Credit Substitutes	54.7	100	54.7	100	54.7
Commitments with Certain Drawdown	13.9	100	13.9	100	13.9
Underwriting and Sub underwriting Facilities	9.0	50	4.5	100	4.5
Transaction Related Contingent Items	256.9	50	128.5	26	33.7
Short Term Self liquidating Trade Related Contingencies	19.3	20	3.9	100	3.9
Other Commitments to Provide Financial Services Which Have an Original Maturity of One Year or More	443.8	50	221.9	74	164.3
Other Commitments with an Original Maturity of Less Than One Year or Which can be Unconditionally Cancelled at any Time	2 404.8	-	-	-	-
Market Related Contracts (current exposure)					
Foreign Exchange Contracts	7 924.3	3.1	243.5	23	55.9
Interest Rate Contracts	13 093.7	0.6	73.9	24	17.8
Total Off Balance Sheet Exposures					348.7
Total Risk Weighted Exposures					11 628.4

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

\$ millions

Consolidated		Parent	
2002	2001	2002	2001

39 CONCENTRATIONS OF CREDIT EXPOSURES

	Concentration by Industry			
Agricultural Forestry and Fishing	2,028 2	1 581 8	2,026 4	1 581 8
Government and Public Authorities	253 3	81 6	253 3	81 6
Financial Investments and Insurance	6 357 8	5 142 5	6 655 1	4 513 3
Utilities	196 1	204 5	196 1	204 5
Transport and Storage	169 3	74 8	165 1	74 8
Housing	12,982 5	10 863 8	11 488 5	10 865 9
Personal	309 4	290 8	309 4	290 8
Other Commercial and Industrial	1 612 9	1 533 8	1,399 8	1 477 1
Total Credit Exposures by Industry	23 909 5	19 773 6	22 493 7	19 089 8

Cash and Liquid Assets Investments in Associates and Subsidiaries Property Plant and Equipment Other Assets and Deferred Taxation Benefit have been excluded from the above analysis on the basis that any credit exposure is insignificant or nil Unrecognised credit equivalent exposures as at 30 June 2002 of \$781 0m consolidated and \$775 6m parent (30 June 2001 \$679 2m consolidated and \$744 8m parent) are also excluded

	Concentration by Geographic Region			
Auckland	12 098 2	10 253 3	12,920 0	10 849 2
Northland	727 7	640 2	727 7	640 2
Waikato	1,167 6	869 3	891 5	804 3
Rest of North Island	2 725 9	2 415 1	2,492 6	2 262 5
South Island	2,280 5	1 938 8	2 021 2	1 644 6
Overseas	31 9	62 8	31 9	57 3
Uncategorised	4 877 7	3 594 1	3,408 8	2 831 7
Total Credit Exposures by Geographic Region	23 909 5	19 773 6	22,493 7	19 089 8

Uncategorised exposures includes Due from Other Banks Investment Securities and Other Securities The Directors consider that the nature of these assets make them inappropriate to categorise geographically Unrecognised credit equivalent exposures are excluded as per the industry segmentation above

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

\$ millions

40 CONCENTRATIONS OF FUNDING

	Consolidated		Parent	
	2002	2001	2002	2001
Concentration by Industry				
Agricultural Forestry and Fishing	206 6	207 4	206 6	207 4
Government and Public Authorities	400 7	336 9	400 7	336 9
Financial Investments and Insurance	10 422 6	8 371 1	10,369 9	8 319 3
Utilities	87 5	96 4	87 5	96 4
Transport and Storage	12 8	47 7	12 8	47 7
Personal	10 673 4	8 854 7	10 673 4	8 854 7
Other Commercial and Industrial	1,132 0	1 099 5	1,132 0	1 104 9
Total Funding by Industry	22 935 6	19 013 7	22 882 9	18 967 3

Funding comprises Deposits Subordinated Debt and Due to Other Banks

Concentration by Geographic Region				
Auckland	9 732 4	8 248 5	9 742 7	8 448 8
Northland	640 4	577 1	640 4	577 1
Waikato	281 8	204 7	281 8	204 7
Rest of North Island	1 513 8	1 816 1	1,513 8	1 816 1
South Island	994 6	831 7	994 6	831 7
Overseas	1 174 0	1 238 6	1 174 0	1 238 6
Uncategorised	8,598 6	6 097 0	8,535 6	5 850 3
Total Funding by Geographic Region	22,935 6	19 013 7	22,882 9	18 967 3

Uncategorised funding includes Certificates of Deposit and Issued Paper Subordinated Debt and Due to Other Banks. The Directors consider that the nature of these liabilities make them inappropriate to categorise geographically.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

\$ millions	Consolidated			Parent		
	Non Accrual	Restructured	Total	Non Accrual	Restructured	Total

41 ASSET QUALITY

Impaired Assets (Pre provisions)

As at 30 June 2002

Balance at Beginning of Year	31 2	-	31 2	28 5	-	28 5
Additions	6 7	-	6 7	7 7	-	7 7
Less Amounts Written Off	2 7	-	2 7	2 7	-	2 7
Balance at End of Year	35 2	-	35 2	33 5	-	33 5

As at 30 June 2001

Balance at Beginning of Year	16 2	-	16 2	12 6	-	12 6
Additions	17 1	-	17 1	17 7	-	17 7
Less Amounts Written Off	2 1	-	2 1	1 8	-	1 8
Balance at End of Year	31 2	-	31 2	28 5	-	28 5

Interest foregone is the amount of income that would have been recorded if interest accruals on specific loans had not been set to nil. It is estimated based on market rates. The 30 June 2002 figure is estimated at \$1.0m (30 June 2001 \$0.7m) for consolidated and \$0.9m (30 June 2001 \$0.7m) for parent.

The Bank does not have any material assets acquired through enforcement of security.

\$ millions	Consolidated		Parent	
	2002	2001	2002	2001
Past Due Assets (Pre provisions)				
Balance at Beginning of Year	63 4	39 9	59 6	32 9
(Deletions) / Additions	(28 1)	31 1	(27 4)	34 1
Less Amounts Written Off	8 6	7 6	7 9	7 4
Balance at End of Year	26 7	63 4	24 3	59 6

42 MANAGED FUND AND OTHER FIDUCIARY ACTIVITIES

ASB Investments Limited is the manager for the ASB Unit Trusts. An independent Trustee firm is appointed for each Unit Trust who monitors compliance with the requirements of the Trust Deeds. The Bank provides banking and administration services for the Unit Trusts.

Total Unitholders' Funds as at 30 June 2002 were \$757.0m (30 June 2001 \$590.6m).

ASB Investments Limited is also the Trustee for the ASB Easyplan Retirement Savings Scheme. Specialist Fund Managers have been appointed. The Bank provides banking and administration services for the Scheme.

Total Members' Funds as at 30 June 2002 were \$326.7m (30 June 2001 \$340.5m).

ASB Investments Limited is also the Trustee for the ASB Superannuation Master Trust Scheme. Specialist Fund Managers have been appointed. The Bank provides banking and administration services for the Scheme.

Total Members' Funds as at 30 June 2002 were \$16.5m (30 June 2001 \$12.1m).

The Bank provides limited custodial services relating to holding Certificates of Deposit on behalf of clients.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

43 CONCENTRATION OF CREDIT EXPOSURES TO INDIVIDUAL COUNTERPARTIES

Peak Credit Exposures for the Three Months ended 30 June

Percentage of Shareholders' Equity	Number of Non Banks		Number of Banks	
	2002	2001	2002	2001
10 - 19	2	4	-	5
20 - 29	3	-	4	3
30 - 39	2	2	3	2
40 - 49	-	1	3	5
50 - 59	-	-	-	-
60 - 69	-	-	-	-
70 - 79	-	-	1	1

Balance Date Credit Exposures

Percentage of Shareholders' Equity	Number of Non Banks		Number of Banks	
	2002	2001	2002	2001
10 - 19	2	4	-	5
20 - 29	3	-	4	3
30 - 39	2	2	3	2
40 - 49	-	1	3	5
50 - 59	-	-	-	-
60 - 69	-	-	-	-
70 - 79	-	-	1	1

The basis of calculation is the greater of actual credit exposures or internal limits. Exposures are shown net of specific provisions and gross of set offs. Percentages are calculated using the Banking Group's equity at balance date.

A portion of the Balance Date Credit Exposure itemised as 70-79% of Shareholders' Equity (30 June 2001 70-79% of Shareholders' Equity) has been guaranteed by the bank's ultimate parent, Commonwealth Bank of Australia. This Exposure is itemised as a 70-79% Peak Credit Exposure (30 June 2001 70-79%). As at 30 June 2002, the amount of this guarantee was \$435.0m (30 June 2001 \$435.0m). The above tables have been compiled using gross exposures and do not include any guarantee arrangements.

Consolidated			
Peak Exposure for the Three Months ended 30 June		Balance Date Exposure	
Percentage of Tier One Capital		Percentage of Tier One Capital	
\$ millions		\$ millions	

44 CREDIT EXPOSURES TO CONNECTED PERSONS AND NON BANK CONNECTED PERSONS

2002	All Connected Persons*	465.7	45.3%	463.7	45.1%
	Non Bank Connected Persons	5.2	0.5%	3.2	0.3%
2001	All Connected Persons*	402.0	49.4%	401.9	49.4%
	Non Bank Connected Persons	2.7	0.3%	2.6	0.3%

*Credit Exposures to Connected Persons include exposures to the Bank's ultimate parent bank, Commonwealth Bank of Australia. As at 30 June 2002, this amount was \$425.2m (30 June 2001 \$365.0m).

The basis of calculation is the greater of actual credit exposures or internal limits. Exposures are shown net of specific provisions and gross of set offs. Percentages are calculated using the Banking Group's equity at balance date.

The Banking Group has a contingent exposure to its ultimate parent, Commonwealth Bank of Australia, arising from risk lay off arrangements in respect of credit exposures to counterparties. As at 30 June 2002, this amounted to \$435.0m (30 June 2001 \$435.0m).

The Banking Group has no Specific Provisions provided against credit exposures to connected persons.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

\$ millions	Consolidated			Parent		
	Notional Value	Credit Equivalent	Fair Value	Notional Value	Credit Equivalent	Fair Value

45 DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2002

Foreign Exchange Rate Related Contracts

Trading	1,141 8	24 2	(22 3)	1,141 8	24 2	(22 3)
Other than Trading	5 537 6	201 4	(9 3)	4 213 6	135 2	(8 8)
Total Foreign Exchange Rate Related Contracts	6 679 4	225 6	(31 6)	5 355 4	159 4	(31 1)

Interest Rate Related Contracts

Trading	8,103 1	7 4	(1 2)	8,103 1	7 4	(1 2)
Other than Trading	11 958 5	58 6	(54 8)	11 846 0	57 9	(54 5)
Total Interest Rate Related Contracts	20,061 6	66 0	(56 0)	19 949 1	65 3	(55 7)

As at 30 June 2001

Foreign Exchange Rate Related Contracts

Trading	1 077 8	41 7	(3 7)	1 077 8	41 7	(3 7)
Other than Trading	7 446 5	204 8	34 9	6 846 5	201 8	34 9
Total Foreign Exchange Rate Related Contracts	8 524 3	246 5	31 2	7 924 3	243 5	31 2

Interest Rate Related Contracts

Trading	4 280 4	4 2	(0 6)	4 280 4	4 2	(0 6)
Other than Trading	8 970 5	70 9	(63 0)	8 813 3	69 7	(63 5)
Total Interest Rate Related Contracts	13 250 9	75 1	(63 6)	13 093 7	73 9	(64 1)

Foreign Exchange Rate Related Contracts other than Trading have been transacted by the Banking Group to hedge Foreign Currency funding. Losses on contracts are offset by gains on the underlying Foreign Currency funding.

Interest Rate Related Contracts other than Trading hedge interest rate risk associated with the Banking Group's Statement of Financial Position. The unrecognised gains on these contracts at 30 June 2002 was \$3 0m for both consolidated and parent (30 June 2001 \$8 6m consolidated and \$9 1m parent) calculated as the fair value loss of \$54 8m consolidated and \$4 5m parent (30 June 2001 \$45 8m consolidated and \$45 3m parent) less the net payable recognised in the Statement of Financial Position of \$57 8m consolidated and \$57 5m parent (30 June 2001 \$54 4m for both consolidated and parent).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

146 RISK MANAGEMENT POLICIES

Introduction

The Bank is committed to the management of risk to achieve sustainability – of service, employment and surpluses – and so takes on controlled amounts of risk when considered appropriate.

The primary risks are those of credit, market (currency, interest rate, equity), liquidity and operational risk.

The Bank's risk management strategy is set by the Board of Directors via the Risk Committee. Implementation of the risk management strategy is the responsibility of the Managing Director. Day to day management is the function of the Executive Management Committee, a committee of senior managers responsible for the principal divisions of the Bank and chaired by the Managing Director. The Executive Management Committee is assisted by a number of specific committees, including the Asset and Liability Management Committee (ALCO), focusing on liquidity and interest rate risks, the Executive Credit Committee focusing on credit risk and a number of other tactical committees.

In addition to high level involvement in the management of risk, the Bank has also put in place the management structure and information systems to manage individual risks, has separated monitoring tasks where feasible, and subjects all material systems to regular internal audit. Periodic reviews of all risk management systems are undertaken by internal audit and, in respect of market and liquidity risk, by the Bank's ultimate parent bank, the Commonwealth Bank of Australia.

Credit Risk

Credit risk is the potential risk of loss arising from the failure of a debtor or trading counterparty to honour fully any financial or contractual obligation.

Credit risk principally arises within the Bank from its core business in providing lending facilities. Credit risk also arises from the Bank assuming contingent liabilities, taking equity participations, participating in financial market transactions and assuming underwriting commitments. The Bank is selective in targeting credit risk exposures and avoids exposures to any high risk area.

The Bank has a comprehensive, clearly defined credit policy for the approval and management of all credit risk, including risk to other bank and related counterparties. Intra day and term credit risk management is not differentiated.

Lending standards and criteria are clearly defined into different business sectors for all Bank products. The Bank relies primarily on the integrity of the debtor or counterparty and their ability to meet their obligations to the Bank. Except for major corporate/bank counterparties of strong investment standing (and a non material amount in very short term exposures to other customer sectors), the Bank requires security cover within loan to security valuation margins set down in the Bank's policy.

Industry and product concentrations are managed within established guidelines and limits. Maximum aggregated exposure limits also apply for any debtor or trading counterparty. Credit risk is strongly monitored and reviewed, with regular independent internal inspections being undertaken to test the quality of the credit exposures, compliance with policy and the effectiveness of management control. Non compliance with credit policy is reported to the Board of Directors through the Risk Committee.

Currency Risk

Currency risk results from the mismatch of recognised and unrecognised foreign currency assets and liabilities. These mismatches can arise from the day to day purchase and sale of foreign currency, from trading positions taken, from deposit and lending activity in foreign currencies and from offshore funding by the Bank.

The Bank monitors and manages this risk through its Treasury Department. Mismatches, and the contingent risk associated with any mismatch, are reported daily. Limits, both intra day and overnight, are set on the basis of past exchange rate volatility to ensure the maximum exposure to losses from an adverse movement in exchange rates is known to agreed statistical confidence levels.

Adherence to limits is monitored by an independent department within the Bank.

Interest Rate Risk

Interest rate risks arise from holding assets and liabilities, including off balance sheet instruments, which may mature or reprice in different periods.

The Bank reduces interest rate risk by seeking to match the repricing of assets and liabilities. This is achieved by changing the mix of assets and liabilities through marketing and pricing initiatives, by buying and selling long term securities and through the use of derivatives such as interest rate swaps and forward rate agreements. In managing this risk, the Bank seeks to achieve a balance between reducing risk to earnings and market value from adverse interest rate movements, and enhancing net interest income through correct anticipation of the direction and extent of interest rate changes.

Overall strategic direction is provided by ALCO which meets monthly. On a day to day basis, interest rate risk is monitored and managed within the Treasury Department.

For market sensitive risk, daily reports of positions and potential loss amounts are produced based on past interest rate volatility to ensure the maximum loss from an adverse movement in interest rates is known to agreed statistical confidence levels.

Risk associated with non market sensitive assets and liabilities, while also monitored daily, is primarily managed by way of weekly reviews by Treasury and monthly reviews by ALCO. Gap analysis and gap limits provide the day to day management tool while regular simulation of Bank activity, analysis of market value and stress tests provide the key management information and limits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2002

46 RISK MANAGEMENT POLICIES (Continued)

Future net interest earnings are regularly estimated employing existing interest rates rates 1% above and below current levels and rates based on historical rate analysis. The Bank manages the known and assumed repricing characteristics of its assets and liabilities as well as future commitments to put the Bank in a position to benefit from anticipated interest rate movements and to limit the risk of adverse interest rate movements.

Two major limits are imposed. The sensitivity to interest rate changes must be such that expected net interest earnings under different interest rate scenarios remain within a set percentage of the central forecast and similarly market value remains within a set percentage of capital. These limits are set by the Board of Directors and monitored by ALCO.

Repricing mismatches, the simulation results and a stress test on the market value of the Bank's assets and liabilities, including derivatives, are reported monthly to ALCO and the Board of Directors, along with associated limits.

Equity Risk

Equity risk results from the repricing of equity investments held by the Bank. This is not a material risk to the Bank. A formal equity risk policy approved by the Risk Committee is in place. Under this policy trading in equities is not permitted.

Liquidity Risk

Management of liquidity risk is designed to ensure that the Bank has the ability to generate or obtain sufficient cash or its equivalent in a timely manner and at a reasonable price to meet its financial commitments on a daily basis.

The Bank monitors this risk primarily by forecasting future daily cash requirements. The Bank manages this risk by holding a pool of readily tradable investment assets and deposits on call or maturing within seven days with high credit quality counterparties to provide for any unexpected patterns in cash movements and by seeking a diverse and stable funding base.

Specifically, the Bank sets targets for funding from its customers, both personal and business, through the branch network and its Treasury Department. The Bank limits funding from each source of short term liquid instruments. The Bank maintains a portfolio of liquid assets equivalent to 14-20% of total deposits.

Operational Risk

A formal reporting structure and policy approved by the Board of Directors for the management of operational risk is in place. Under this policy processes and practices for the identification, monitoring, measurement and day to day management of operational risks have been established.

Accordingly, heads of all business units and specialist support functions have clearly defined roles and responsibilities to ensure that the operational risks inherent in all business activities have been identified, measured and recorded.

A formal programme is in place for reporting back to the Risk Committee and Board of Directors on the measurement and management of operational risk within the Banking Group.

Internal Audit

The Banking Group maintains an independent Internal Audit function which is ultimately accountable to the Board of Directors through the Managing Director and Board Audit Committee.

Internal Audit provides an independent assurance and consulting service designed to assist the Banking Group in achieving its objectives by bringing a systematic and disciplined approach to improving the effectiveness of risk management systems, the framework of controls and governance processes. Operational, compliance, financial and systems audits of all areas of the Banking Group's operations are undertaken based on an assessment of risk.

The Audit Committee meets on a regular basis to consider the Bank's financial reporting, internal control and corporate governance issues. It reviews the interim and annual financial statements, the activities of the internal and external auditors and monitors the relationship between management and the external auditors.

ADDITIONAL DISCLOSURES

For the year ended 30 June 2002

30 June 2002

DETAILS OF INCORPORATION

The Bank is a company incorporated under the Companies Act 1955 on 16 August 1988 and is registered under AK398445. The registered office of ASB Bank Limited is Level 28, ASB BANK Centre, 135 Albert Street, Auckland. The Bank was re-registered under the Companies Act 1993 on 30 June 1995.

ULTIMATE PARENT BANK

The ultimate parent bank of ASB Bank Limited is Commonwealth Bank of Australia (CBA), its registered office being Level 5, 48 Martin Place, Sydney, NSW, Australia.

CBA is required by the Australian Prudential Regulation Authority (APRA) to meet minimum Total Capital Adequacy requirements of 8.0% of Risk Weighted Assets in compliance with the Basle framework. As at 30 June 2002, CBA exceeded APRA minimum requirements with Tier One Capital being 6.76% of Risk Weighted Assets and Total Capital being 9.16% of Risk Weighted Assets.

GUARANTEE ARRANGEMENTS

The Commonwealth Bank of Australia does not guarantee repayment of any obligations of the Bank or its subsidiaries.

DEALINGS WITH DIRECTORS

There have been no dealings with Directors or parties related to the Directors on terms other than in the ordinary course of business. Refer to Note 31 for outstanding balances with Directors.

All Directors are required to table all possible conflicts of interest at the Board of Directors' meetings and are required to abstain from any vote on those proceedings. The Bank complies with all requirements of the Companies Act 1993 in terms of registers and notices for Directors' conflict of interest.

Communications addressed to the Directors should be sent to:

Level 28
ASB BANK Centre
135 Albert Street
Auckland
New Zealand

CONDITIONS OF REGISTRATION – ASB BANK LIMITED

The registration of ASB Bank Limited as a registered bank is subject to the following conditions:

1. That the Banking Group complies with the following requirements:
 - Capital of the Banking Group is not less than 8% of risk weighted exposures
 - Tier One Capital of the Banking Group is not less than 4% of risk weighted exposures
 - Capital of the Banking Group is not less than NZ\$15m
2. That the business of the Banking Group consists of, or substantially consists of, the borrowing and lending of money or the provision of other financial services or both.
3. That aggregate credit exposures (net of specific provisions and gross of set off) of the Banking Group to all connected persons do not exceed 75% of the Banking Group's Tier One Capital and that, within this limit, aggregate credit exposures (net of specific provisions and gross of set off) to non-bank connected persons do not exceed 15% of the Banking Group's Tier One Capital.
4. That the Board of the registered bank contains at least two independent Directors. In this context, an independent Director is a Director who is not an employee of the registered bank and who is not a director, trustee or employee of any holding company of the registered bank other than ASB Group (Holdings) Limited or any other entity capable of controlling or significantly influencing the registered bank.
5. That the chairperson of the Bank's Board of Directors is not an employee of the registered bank.
6. That the Bank's constitution does not permit the Bank's Directors to act in the interests of any holding company of the registered bank where to do so would conflict with the interests of the Bank in New Zealand to the detriment of creditors.
7. That a substantial proportion of the Bank's business is conducted in and from New Zealand.

ADDITIONAL DISCLOSURES

For the year ended 30 June 2002

CREDIT RATING

As at 30 June 2002 the rating of AA was assigned to the Bank's long term New Zealand dollar debt. The rating was given by Standard & Poor's (Australia) Pty Limited.

On 4 October 2000 following Commonwealth Bank of Australia assuming 100% ownership the Bank's rating was upgraded from A+ to AA-

Rating Scale	Explanation
AAA	Rated entities have an extremely strong capacity to pay interest and repay principal in a timely manner
AA	Rated entities have a very strong capacity to pay interest and repay principal in a timely manner
A	Rated entities have a strong capacity to pay interest and repay principal in a timely manner but may be more susceptible to adverse effects of changes in circumstances and economic conditions than higher rated entities
BBB	Rated entities have an adequate capacity to pay interest and repay principal in a timely manner but are more likely to be weakened by adverse changes in circumstances and economic conditions than higher rated entities
BB B CCC CC and C	Rated entities are regarded as having predominantly speculative characteristics with respect to the capacity to repay interest and principal. BB indicates the least degree of speculation and C the highest
D	Rated entities are in default. The rating is assigned when interest or principal payments are not made on the date due or when an insolvency petition or a request to appoint a receiver is filed
Plus (+) or Minus (-)	The ratings from AA to CCC may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories

MARKET RISK EXPOSURE

The Market Risk Methodology is intended to attribute a dollar value amount to the market risk a registered bank is exposed to, based on the structure of its Balance Sheet positions, using the process prescribed by the Reserve Bank of New Zealand.

The Market Risk Exposures have been prepared on the basis of actual exposures.

	Consolidated			
	2002 Peak Exposure for the three months ended 30 June	Exposure as at 30 June	2001 Peak Exposure for the three months ended 30 June	Exposure as at 30 June
\$ millions				
Aggregate Interest Rate Exposure (as % of Balance Date Equity)	27.5 2.7%	26.4 2.6%	23.3 2.9%	19.4 2.4%
Aggregate Foreign Currency Exposure (as % of Balance Date Equity)	3.4 0.3%	3.4 0.3%	2.4 0.3%	2.4 0.3%
Aggregate Equity Exposure (as % of Balance Date Equity)	-	-	-	-

Directors' Statement

After due enquiry by the Directors it is each Director's opinion that for the year ended 30 June 2002

- the Bank complied with the conditions imposed by the Reserve Bank of New Zealand under section 74 of the Reserve Bank of New Zealand Act 1989 and
- credit exposures to connected persons were not contrary to the interests of the Banking Group and
- the Bank had systems in place to adequately monitor and control the Banking Group's credit risk concentration of credit risk interest rate risk currency risk equity risk liquidity risk and other material business risks and that those systems are being properly applied

After due enquiry by the Directors it is each Director's opinion that as at the date of this disclosure statement

- the disclosure statement contains all the information required by the Registered Bank Disclosure Statement (Full and Half Year – New Zealand Incorporated Registered Banks) Order 1998 and
- the disclosure statement is not false or misleading

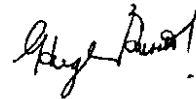
The disclosure statement is signed by or on behalf of all the Directors



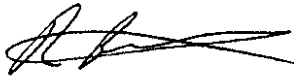
G J Judd



J M R Syme



G H Burrett



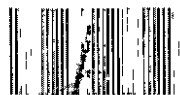
R Boven



L G Cupper



G L Mackrell



P A Edwards

30 July 2002

Auditor's Report

 **ERNST & YOUNG**

Auditor's Report to the Shareholder of ASB Bank Limited (the Bank)

We have audited the financial statements and the financial information in the supplementary information on pages 56 to 88 and 90. The financial statements provide information about the past financial performance and cash flows of the Bank and the Bank and its subsidiaries (Banking Group) for the year ended 30 June 2002 and their financial position as at that date. The supplementary information contains that information required by clauses 12(3) and 12(4) of the Registered Bank Disclosure Statement (Full and Half Year - New Zealand Incorporated Registered Banks) Order 1998 (the Order). This information is stated in accordance with the accounting policies set out on pages 60 to 62.

Directors' Responsibilities

The directors are responsible for the preparation of

- financial statements in accordance with clause 12(1) of the Order which give a true and fair view of the financial position of the Bank and Banking Group as at 30 June 2002 and of their financial performance and cash flows for the year ended on that date
- supplementary information in accordance with clause 12(3) of the Order which gives a true and fair view of the matters to which it relates and
- supplementary information in accordance with clause 12(4) of the Order which complies with Schedules 7 and 8 of the Order

Auditor's Responsibilities

In accordance with clause 15(1) of the Order it is our responsibility to express an independent opinion on the financial statements and supplementary information presented by the directors and report our opinion to you.

Basis of Opinion

An audit includes examining on a test basis evidence relevant to the amounts and disclosures in the financial statements and supplementary information. It also includes assessing

- the significant estimates and judgements made by the directors in the preparation of the financial statements and supplementary information and
- whether the accounting policies are appropriate to the Bank and Banking Group's circumstances consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and supplementary financial information are free from material misstatements whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and supplementary financial information.

We provide some information technology assurance services to the Bank.

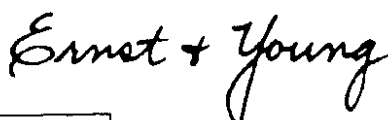
Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion

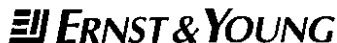
- proper accounting records have been kept by the Bank and Banking Group as far as appears from our examination of those records and
- the financial statements on pages 56 to 88
 - comply with generally accepted accounting practice in New Zealand and
 - give a true and fair view of the financial position of the Bank and Banking Group as at 30 June 2002 and their financial performance and cash flows for the year ended on that date and
- the supplementary financial information included within the financial statements has been prepared in accordance with
 - the guidelines issued pursuant to section 78(3) of the Reserve Bank of New Zealand Act 1989 or any Conditions of Registration and
 - the books and records of the Bank and Banking Group and
- the supplementary financial information disclosed in accordance with clause 12(3) of the Order gives a true and fair view of the matters to which it relates and
- the supplementary financial information on page 90 disclosed in accordance with clause 12(4) of the Order complies with Schedules 7 and 8 of the Order.

Our audit was completed on 30 July 2002 and our unqualified opinion is expressed as at that date.



Ernst and Young Chartered Accountants
Auckland New Zealand

Auditor's Report



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P O Box 2146
Auckland
New Zealand

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International +64 9 377 4790
Fax 09 309 8137
International +64 9 309 8137
DX CP24092

30 October 2002

Board of Directors
ASB Capital Limited
PO Box 35
AUCKLAND

Dear Directors

This report is issued in respect of the public offer by ASB Capital Limited (the Company) of up to 200 million perpetual preference shares in the Company in terms of the Prospectus to be dated on 30 October 2002

Directors' Responsibilities

The directors are responsible for the preparation and presentation of the forecasts of the Company for the period ending 30 October 2003 including the assumptions on which the forecasts are based as required by clause 10 of the First Schedule to the Securities Regulations 1983 (the First Schedule)

Auditor's Responsibilities

We are responsible for reporting in accordance with clause 42(2) of the First Schedule on the forecasts for the period ending 30 October 2003

This report has been prepared for inclusion in the Prospectus for the purpose of meeting the requirements of clause 42 of the First Schedule We disclaim any assumption of responsibility for reliance on this report or the amounts included in the forecasts for any other purpose other than that for which they were prepared In addition we take no responsibility for nor do we report on any part of the Prospectus not mentioned in this report

Other than in our capacity as auditor we have no relationship with or interest in the Company

Basis of Opinion

We have conducted our audit in accordance with generally accepted auditing standards in New Zealand We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the forecasts are free from material misstatements whether caused by fraud or error

We have examined the forecast to confirm that so far as the accounting policies and calculations are concerned they have been properly compiled on the footing of the assumptions made or adopted by the directors of the Company and are presented on a basis consistent with the accounting policies normally adopted by the Company The assumptions relate to future events



Auditor's Report continued



Unqualified Opinion

We have obtained all the information and explanations we have required

In our opinion

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records and
- (b) the forecasts on page 50 so far as the accounting policies and calculations are concerned have been properly compiled on the footing of the assumptions made or adopted by the directors of the Company set out on page 51 and are presented on a basis consistent with the accounting policies normally adopted by the Company

Actual results are likely to be different from the forecast financial information since anticipated events frequently do not occur as expected and the variation could be material

Accordingly we express no opinion as to whether the financial forecasts will be achieved

We completed our work for the purposes of this report on 30 October 2002 and our unqualified opinion is expressed as at that date

Yours faithfully

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst and Young Chartered Accountants

Auckland New Zealand

Glossary

In this Offer Document unless the context otherwise requires

Application Form

means the application form attached to this Offer Document

ASB Bank or the **Bank** means ASB Bank Limited

"ASB Bank Perpetual Preference Shares" means the perpetual preference shares issued by ASB Bank to ASB Group (Holdings)

ASB Capital means ASB Capital Limited

ASB Group (Holdings) means ASB Group (Holdings) Limited

Benchmark Rate on any day means the rate per annum expressed on a percentage yield basis and rounded up to the nearest two decimal places which is

- (a) the average of the bid and offered swap rate displayed at or about 11am on that day on page FISSWAP (or any successor page) of the Reuters monitor screen for an interest rate swap with a one year term or
- (b) if a rate is unable to be determined in accordance with paragraph (a) or if ASB Capital forms the view that the rate so determined is not an accurate reflection of market rates the average of the mean and bid offered swap rates quoted by three registered banks in New Zealand other than ASB Bank at or about 11am on that day for an interest rate swap with a one year term

"Board" means the board of directors of ASB Capital

Business Day means any day other than a Saturday Sunday or a statutory public holiday in New Zealand

Commonwealth Bank Subsidiary means CBA Funding (NZ) Limited or any other wholly owned subsidiary of Commonwealth Bank (which is not ASB Bank or a subsidiary of ASB Bank) to which CBA Funding (NZ) Limited assigns its right to buy the Perpetual Preference Shares

Closing Time means 5 00pm on 9 December 2002 or such other time and date as ASB Capital may select

"Commonwealth Bank" means Commonwealth Bank of Australia

"Companies Act" means the Companies Act 1993

Constitution means the current constitution of ASB Capital

Directors means the directors of ASB Capital

Directory means the directory on page 104

Distribution has the meaning set out in the Companies Act

Dividend Rate means in respect of the period until the first Dividend Reset Date the rate referred to under the heading *Initial Dividend Rate* on page 5 and in respect of the period after the first Dividend Reset Date the rate referred to under the heading *Subsequent Dividend Rates* on page 5

Dividend Rate Set Date means the Business Day immediately following the Closing Time

Dividend Reset Date means 15 November 2003 and each subsequent 15 November or if any such day is not a Business Day the next Business Day

Institutional Investor

means a professional New Zealand based fund manager who manages money on behalf of third parties and is approved by ASB Capital in its discretion

Issue Price

is NZ\$1 00 per Perpetual Preference Share

Listing Rules

means the listing rules of the NZSE

Loan Agreement

means the loan agreement under which ASB Capital lends the proceeds of issue of the Perpetual Preference Shares to ASB Group (Holdings)

NZSE

means the New Zealand Stock Exchange

Offer

means the offer of the Perpetual Preference Shares set out in this Offer Document

Offer Document

means this combined Investment Statement and Prospectus

Opening Date

means 11 November 2002

Perpetual Preference Shares

means perpetual preference shares of ASB Capital

Registrar

means Computershare Investor Services Limited or any other person appointed as registrar by ASB Capital from time to time

Regulatory Authority

means the Reserve Bank of New Zealand the Australian Prudential Regulation Authority or any other authority having jurisdiction in respect of banking in Australia or New Zealand

Securities Act

means the Securities Act 1978

Securities Regulations

means the Securities Regulations 1983

Trust Deed

means the trust deed dated 30 October 2002 between ASB Group (Holdings) ASB Capital and the Trustee

Trustee

means The New Zealand Guardian Trust Company Limited

ASB Capital Limited Application Form

(ATTACH CHEQUE HERE)

This Application Form constitutes an Offer to acquire ASB Capital Limited Perpetual Preference Shares as described in the combined Investment Statement and Prospectus prepared as at and dated 30 October 2002

Completed Application Forms together with payment of the application money payable in respect of the Perpetual Preference Shares applied for must be received by ASB Capital Limited C/- ASB Securities Ltd PO Box 35 Auckland by the Closing Time or if you have received a firm allocation from a member firm of the NZSE this should be returned to that member firm in time for it to be forwarded to the Registrar before the Closing Time

This Application Form must not be issued circulated or distributed to any person unless accompanied by the combined Investment Statement and Prospectus

This Offer is made to New Zealand resident investors only

Advisor Code

Please refer to the instructions on the reverse of this Application Form and on pages 101 to 103 for information regarding its completion and lodgement

ASB Securities
Limited
ASBA
Auckland

INVESTOR DETAILS – Please print in block letters Please enter name(s) in full (including first names)

Title First Names Surname

Title First Names Surname

Title First Names Surname

Corporate Name

Postal Address
(including post code)

Telephone Home ()

Work ()

Contact Name

email (optional)

APPLICATION AMOUNT

Principal Amount of Perpetual
Preference Shares applied for NZ\$

(Minimum of NZ\$5,000.00 and thereafter
in multiples of NZ\$1,000.00)

(NZ\$1.00 = 1 Perpetual Preference Share)

Cheques must be payable to ASB Capital Offer and crossed not transferable Payment must be made in New Zealand dollars and drawn on a registered New Zealand bank Cheques must not be post dated

IRD NUMBER

IRD Number

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If you hold a current Resident Withholding Tax Exemption Certificate please tick (✓) this box ☐ and attach a copy of the certificate

COMMON SHAREHOLDER AND SHAREHOLDER NUMBERS

If you have been issued with a Common Shareholder Number (CSN) please enter that number or if you already hold shares in a New Zealand company which has

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Computershare Investor Services Limited as its share registrar please enter the shareholder number that appears on your FASTER statement

DIVIDEND PAYMENT DETAILS

If you currently receive interest or dividend payments from Computershare Investor Services Limited by direct credit and wish the dividend payments from the Perpetual Preference Shares to be direct credited to the same account please tick here ☐ and DO NOT complete the section below

(Please complete only one option)

Option 1 – Direct Credit to Bank Account

New Zealand Bank Account Name

New Zealand Bank Account Number

Bank

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Branch

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Account
Number

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Suffix

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Option 2 – Pay by cheque to my postal address as stated above ☐

AGREEMENT OF TERMS

I/We irrevocably apply for the Issue of Perpetual Preference Shares shown above (or such lesser amount as ASB Capital may allot and allocate to me/us) on the terms and conditions set out in the combined Investment Statement and Prospectus Trust Deed and this Application Form I/We confirm the information I/we have given on this Application Form is true and correct

Signature

Date

Signature

Date

Signature

Date

COMPLETING THE APPLICATION FORM

Read the combined Investment Statement and Prospectus and in particular the section Answers to Important Questions carefully before applying for Perpetual Preference Shares and loading this Application Form

Terms and Conditions of Application Form

- 1 1 By signing this Application Form the applicant
- a) offers to subscribe for ASB Capital Perpetual Preference Shares on the terms set out in the combined Investment Statement and Prospectus dated 30 October 2002 this Application Form and the application instructions on pages 101 to 103 of this document
 - b) acknowledges that this form was distributed with the combined Investment Statement and Prospectus and
 - c) acknowledges that he/she/it has read and understood the combined Investment Statement and Prospectus and the Privacy Act 1993 statements contained in the section entitled *Application Instructions*
- 1 2 Applicants must pay for the Perpetual Preference Shares applied for in this Application Form by attaching a cheque to the Application Form
- 1 3 An application cannot be withdrawn or revoked
- 1 4 ASB Capital reserves the right to decline any application in whole or in part without giving any reason
- 1 5 FASTER statements for the Perpetual Preference Shares will be dispatched to successful applicants as soon as practicable after allotment but in any event no later than six Business Days after allotment
- 1 6 Applicants must conform with the application instructions in the section of the combined Investment Statement and Prospectus entitled *Application Instructions*
- 1 7 Joint applications must be signed by all applicants Only the address of the first named of the joint applicants will be recorded on the Perpetual Preference Share register and all notices and communications will be sent to that address
- 1 8 If the Application Form is signed by an attorney the non revocation form below must be completed
- 1 9 Terms defined in the combined Investment Statement and Prospectus have the same meaning in this Application Form This Application Form the Offer and any contract arising out of its acceptance is governed by New Zealand law

Certificate of Non-Revocation of Power of Attorney

(Only complete if the Application Form is to be signed by an attorney of the applicant)

I _____ of _____
(Name of Attorney) (Address and Occupation of Attorney)

hereby certify that

1 By Power of Attorney dated _____
(Date of Power of Attorney and name of person for whom Attorney is signing)

of _____
(Address and occupation of person for whom Attorney is signing)

(The Donor) appointed me his/her/its attorney on the terms and conditions set out in that Power of Attorney

- 2 I have completed and executed this application for Perpetual Preference Shares as attorney under that Power of Attorney and pursuant to the powers thereby conferred upon me
- 3 At the date of this certificate I have not received any notice or information of the revocation of that Power of Attorney whether by the death or dissolution of the Donor or otherwise

Signature of Attorney _____

Signed at _____ this _____ day of _____ 2002

ASB Capital Limited Application Form

(ATTACH CHEQUE HERE)

This Application Form constitutes an Offer to acquire ASB Capital Limited Perpetual Preference Shares as described in the combined Investment Statement and Prospectus prepared as at and dated 30 October 2002

Completed Application Forms together with payment of the application money payable in respect of the Perpetual Preference Shares applied for must be received by ASB Capital Limited C/- ASB Securities Ltd PO Box 35 Auckland by the Closing Time or if you have received a firm allocation from a member firm of the NZSE this should be returned to that member firm in time for it to be forwarded to the Registrar before the Closing Time

This Application Form must not be issued circulated or distributed to any person unless accompanied by the combined Investment Statement and Prospectus

This Offer is made to New Zealand resident investors only

Advisor Code

Please refer to the instructions on the reverse of this Application Form and on pages 101 to 103 for information regarding its completion and lodgement

INVESTOR DETAILS - Please print in block letters Please enter name(s) in full (including first names)

Title	First Names	Surname
Title	First Names	Surname
Title	First Names	Surname

Corporate Name
Postal Address
(including post code)

Telephone Home () Work ()
Contact Name email (optional)

APPLICATION AMOUNT

Principal Amount of Perpetual Preference Shares applied for NZ\$

(Minimum of NZ\$5 000 00 and thereafter in multiples of NZ\$1 000 00)

(NZ\$1 00 = 1 Perpetual Preference Share)

Cheques must be payable to ASB Capital Offer and crossed not transferable Payment must be made in New Zealand dollars and drawn on a registered New Zealand bank Cheques must not be post dated

IRD NUMBER

IRD Number

If you hold a current Resident Withholding Tax Exemption Certificate please tick (✓) this box ☐ and attach a copy of the certificate

COMMON SHAREHOLDER AND SHAREHOLDER NUMBERS

If you have been issued with a Common Shareholder Number (CSN) please enter that number or if you already hold shares in a New Zealand company which has Computershare Investor Services Limited as its share registrar please enter the shareholder number that appears on your FASTER statement

DIVIDEND PAYMENT DETAILS

If you currently receive interest or dividend payments from Computershare Investor Services Limited by direct credit and wish the dividend payments from the Perpetual

Preference Shares to be direct credited to the same account please tick here ☐ and DO NOT complete the section below

(Please complete only one option)

Option 1 - Direct Credit to Bank Account

New Zealand Bank Account Name

New Zealand Bank Account Number Bank Branch Account Number Suffix

Option 2 - Pay by cheque to my postal address as stated above ☐

AGREEMENT OF TERMS

I/We irrevocably apply for the Issue of Perpetual Preference Shares shown above (or such lesser amount as ASB Capital may allot and allocate to me/us) on the terms and conditions set out in the combined Investment Statement and Prospectus Trust Deed and this Application Form
I/We confirm the information I/we have given on this Application Form is true and correct

Signature	Date
Signature	Date
Signature	Date

COMPLETING THE APPLICATION FORM

Read the combined Investment Statement and Prospectus and in particular the section Answers to Important Questions carefully before applying for Perpetual Preference Shares and loading this Application Form

Terms and Conditions of Application Form

- 1 1 By signing this Application Form the applicant
- a) offers to subscribe for ASB Capital Perpetual Preference Shares on the terms set out in the combined Investment Statement and Prospectus dated 30 October 2002 this Application Form and the application instructions on pages 101 to 103 of this document
 - b) acknowledges that this form was distributed with the combined Investment Statement and Prospectus and
 - c) acknowledges that he/she/it has read and understood the combined Investment Statement and Prospectus and the Privacy Act 1993 statements contained in the section entitled *Application Instructions*
- 1 2 Applicants must pay for the Perpetual Preference Shares applied for in this Application Form by attaching a cheque to the Application Form
- 1 3 An application cannot be withdrawn or revoked
- 1 4 ASB Capital reserves the right to decline any application in whole or in part without giving any reason
- 1 5 FASTER statements for the Perpetual Preference Shares will be dispatched to successful applicants as soon as practicable after allotment but in any event no later than six Business Days after allotment
- 1 6 Applicants must conform with the application instructions in the section of the combined Investment Statement and Prospectus entitled *Application Instructions*
- 1 7 Joint applications must be signed by all applicants Only the address of the first named of the joint applicants will be recorded on the Perpetual Preference Share register and all notices and communications will be sent to that address
- 1 8 If the Application Form is signed by an attorney the non revocation form below must be completed
- 1 9 Terms defined in the combined Investment Statement and Prospectus have the same meaning in this Application Form This Application Form the Offer and any contract arising out of its acceptance is governed by New Zealand law

Certificate of Non-Revocation of Power of Attorney

(Only complete if the Application Form is to be signed by an attorney of the applicant)

I _____ of _____
(Name of Attorney) (Address and Occupation of Attorney)

hereby certify that

1 By Power of Attorney dated _____
(Date of Power of Attorney and name of person for whom Attorney is signing)

of _____
(Address and occupation of person for whom Attorney is signing)

(The Donor) appointed me his/her/its attorney on the terms and conditions set out in that Power of Attorney

2 I have completed and executed this application for Perpetual Preference Shares as attorney under that Power of Attorney and pursuant to the powers thereby conferred upon me

3 At the date of this certificate I have not received any notice or information of the revocation of that Power of Attorney whether by the death or dissolution of the Donor or otherwise

Signature of Attorney _____

Signed at _____ this _____ day of _____ 2002

Application Instructions

You should read this Offer Document carefully before completing the Application Form

- 1.1 **General** Applications for ASB Capital Perpetual Preference Shares under the Offer must be made on the Application Form contained in this Offer Document and must be made in accordance with the terms set out below
- 1.2 **Opening Date and Closing Time** Applications for Perpetual Preference Shares may be lodged from the Opening Date. The Offer will remain open until 5.00pm 9 December 2002 or such other Closing Time as ASB Capital may determine
- 1.3 **Irrevocable Offer** An application will constitute an irrevocable offer by the applicant to subscribe for and acquire the number of Perpetual Preference Shares specified on the Application Form (or such lesser number as ASB Capital may determine) on the terms and conditions set out in this Offer Document and on the Application Form
- 1.4 **Application Money** Application amounts will be banked on receipt into a trust account. Other than where otherwise required by law, interest earned on the account will be paid to ASB Capital. If application money is paid by a cheque that does not clear, an application may be rejected or an allocation made in respect of that application may be cancelled. Applicants should ensure clearance will occur
- 1.5 **Refunds** Money received in respect of applications that are declined in whole or in part will be refunded in whole or in part (as the case may be). Refunds will be posted within five Business Days after allotment of Perpetual Preference Shares to unsuccessful applicants. Interest will not be paid on any application money refunded to applicants
- 1.6 **Liability of ASB Capital** ASB Capital and its officers, employees or advisors will not accept any liability or responsibility if any person attempts to sell or otherwise deal with Perpetual Preference Shares before the statement showing the number of Perpetual Preference Shares allocated to the applicant is received by the applicant for those Perpetual Preference Shares
- 1.7 **Incomplete Applications** If an Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may still be treated as valid. ASB Capital's decision as to whether to treat an application as valid and how to construe, amend or complete it shall be final. Applicants will not, however, be treated as having applied to purchase more Perpetual Preference Shares than the number indicated on the Application Form or more Perpetual Preference Shares than those for which payment has been made
- 1.8 **Right to Refuse** ASB Capital reserves the right to refuse any application in whole or in part without giving any reason
- 1.9 **Personal Information Rights** Personal information provided by you will be held by ASB Capital, the Registrar or the Trustee at their respective addresses shown in the Directory on page 104 or at such other place as is notified upon your request. This information will be used for the purpose of managing your investment. Under the Privacy Act 1993, you have the right to access and correct any personal information held about you



2 Completing the Application Form

Please complete all relevant sections of the Application Form using
CAPITAL BLOCK LETTERS

- 2.1 Enter your **FULL NAME** Up to three applicants may apply jointly
Refer to the following table to ensure your details are entered correctly

Type of Investor	Incorrect way to write name	Correct way to write name
Individual person	JJ SMITH	JOHN JAMES SMITH
More than one person	J & M SMITH	JOHN SMITH MARY SMITH
Company	ABC	ABC LTD
Trusts	SMITH FAMILY TRUST	JOHN SMITH PETER SMITH <SMITH FAMILY TRUST ACCOUNT>
Partnership	JOHN SMITH & SONS	JOHN SMITH JAMES SMITH <JOHN SMITH & SONS PARTNERSHIP ACCOUNT>
Clubs and unincorporated associations	SMITH INVESTMENT CLUB	JAMES SMITH <SMITH INVESTMENT CLUB ACCOUNT>

- 2.2 Enter your **POSTAL ADDRESS** for all correspondence All communications
to you including statements of shareholding dividends periodic reports
correspondence etc will be mailed to the person(s) at the address as shown
For joint applicants only one address is to be entered
- 2.3 Please let us know your **TELEPHONE NUMBER(S)** and contact name in case we
need to contact you in relation to your application It is optional to provide your
e mail address
- 2.4 Insert the **NEW ZEALAND DOLLAR VALUE OF THE PERPETUAL
PREFERENCE SHARES** you wish to apply for The application must be for
a minimum of 5000 Perpetual Preference Shares (NZ\$5 000 00) and thereafter
in multiples of 1000 Perpetual Preference Shares (NZ\$1 000 00)
- 2.5 Please enter your **IRD NUMBER** ASB Capital is required by law to hold it
For joint applicants please fill in the IRD number of the first named applicant
Note that your application may be rejected if your IRD number is not entered
Indicate by ticking the appropriate box whether or not you hold a Resident
Withholding Tax Exemption Certificate (If you hold a certificate ASB Capital
will not be obliged to deduct Resident Withholding Tax on dividends provided
it has seen the relevant certificate) A copy of the certificate must be attached to
the Application Form
- 2.6 If you have a **COMMON SHAREHOLDER NUMBER (CSN)** or a
COMPUTERSHARE INVESTOR SERVICES SHAREHOLDER NUMBER in
the name(s) filled out under Investor Details please enter it in the box provided

- 2 7 If you receive interest or dividend payments from Computershare Investor Services Limited by direct credit and wish the dividend payments from the Perpetual Preference Shares to be direct credited to the same account your dividends will be direct credited to this account and you DO NOT need to complete this section. If not please complete the details required under either Option 1 to credit your DIVIDENDS directly to an account with your bank or Option 2 to receive your DIVIDENDS by cheque to your postal address.
- 2 8 Read the declaration carefully and **SIGN AND DATE** the Application Form. It must be signed by all applicants personally. Companies or other bodies corporate must sign the same way as they would sign a formal deed or other formal legal document. Applications may in either case be executed by an attorney. If your Application Form is signed by an attorney the power of attorney document is not required to be lodged but the attorney must complete the non revocation certificate on the reverse of the Application Form. Joint applicants must all sign the Application Form.
- 3 PAYMENT**
- 3 1 Payment must accompany each Application Form. Payment must be made by cheque drawn on a New Zealand bank for New Zealand dollars for immediate value. Post dated cheques will not be accepted. Please ensure that the total of the cheque equals the amount payable. Make the cheque payable to *ASB Capital Offer* and cross it Not Transferable.
- 3 2 Sufficient cleared funds should be held in your account for the cheque to be paid as cheques returned unpaid are likely to result in your application being rejected or your allotment being cancelled. Staple your cheque to the Application Form. Institutional investors must pay in immediately cleared funds.
- 4 DIVIDEND PAYMENTS**
- 4 1 Dividends will accrue from the date your application is processed by Computershare Investor Services Limited. The first dividend payment will be on 15 February 2003. Dividends are payable quarterly on 15 February 15 May 15 August and 15 November.
- 5 CLOSING TIME**
- 5 1 Applications must be received by no later than 5 00pm New Zealand time on 9 December 2002 unless this date is varied by ASB Capital.
- 6 LODGING OF APPLICATIONS**
- 6 1 Applications cannot be revoked or withdrawn. Application Forms must be mailed or delivered with payment to arrive before 9 December 2002 to
ASB Capital Offer
C/- ASB Securities Limited
PO Box 35
AUCKLAND
- Or
- if you received a firm allocation from a member firm of the NZSE please send your Application Form to that member firm. The Application Form must be delivered to that member firm in time to enable it to be forwarded to the Registrar before the relevant Closing Time.
- 5 2 Please lodge your Application Form AS SOON AS POSSIBLE. There may not be any public pool and any applications received directly by the Registrar will be forwarded to the Organising Broker to process at its discretion.

Directory

Issuer –

ASB Capital Limited

Directors of ASB Capital

J W Duncan
P S Hall
J A te Wechel

Registered office of ASB Capital

Level 28
ASB Bank Centre
135 Albert Street
Auckland

Auditors

Ernst & Young
41 Shortland Street
PO Box 2146
Auckland

Arranger

ASB Bank Limited
ASB Bank Centre
135 Albert Street
PO Box 35
Auckland
Telephone +64 9 374 8366
Facsimile +64 9 302 0992

Lead Managers

ASB Bank Limited
ASB Bank Centre
135 Albert Street
PO Box 35
Auckland
Telephone +64 9 374 8366
Facsimile +64 9 302 0992

UBS Warburg New Zealand Limited

Level 23
191 Queen Street
Auckland
Telephone +64 9 913 4800
Facsimile +64 9 913 4877

Organising Broker

ASB Securities Limited
Level 13 ASB Bank Centre
135 Albert Street
PO Box 35
Auckland
Telephone 0800 ASB BOND
(0800 272 266)
Facsimile +64 9 374 8123

Share Registrar

Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland
Telephone +64 9 4888 777
Facsimile +64 9 4888 787

Legal Advisors

Russell McVeagh
Royal & SunAlliance Centre
48 Shortland Street
PO Box 8
Auckland

Promoter –

ASB Bank Limited

Directors of ASB Bank

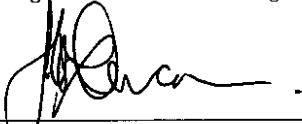
G J Judd
G H Burrett
R Boven
L G Cupper
P A Edwards
J A Hood
G L Mackrell
J M R Syme

Registered office of ASB Bank

Level 28
ASB Bank Centre
135 Albert Street
Auckland

SIGNED by

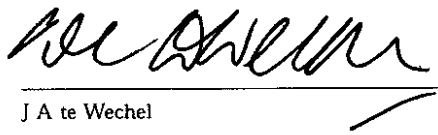
As Directors of ASB Capital Limited
(or by their agent authorised in writing)



J W Duncan



P S Hall



J A te Wechel

For and on behalf of ASB Bank Limited



Director




Director

As Directors of ASB Bank Limited
(or by their agents authorised in writing)



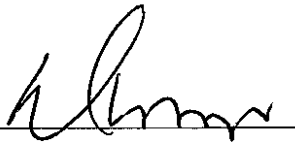
G J Judd



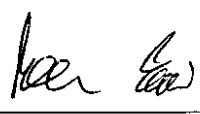
G H Burrett



R Boven



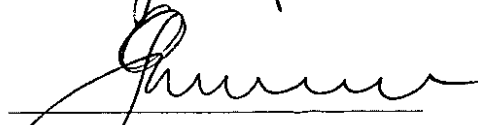
L G Cupper



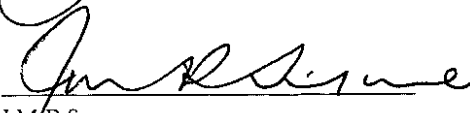
P A Edwards



J A Hood



G L Mackrell



J M/R Syme

RSB

LEVEL 9
ASB BANK TOWER
2 HUNTER STREET
WELLINGTON
PO BOX 2959
DX SP23501
NEW ZEALAND

TELEPHONE
64 04 472 7599

FACSIMILE
64 04 473 1470

INTERNET
<http://www.nzse.co.nz>

EMAIL
nzse@nzse.co.nz



23 October 2002

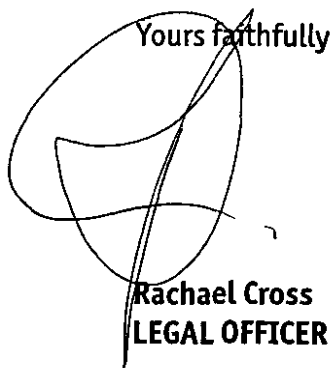
Registrar of Companies
Private Bag
AUCKLAND

Dear Sir

ASB Capital Limited – Issue of Perpetual Preference Shares

The New Zealand Stock Exchange hereby confirms that in terms of Regulation 23(2) of the Securities Regulations 1983, application has been made to the New Zealand Stock Exchange for permission to list the securities the subject of the above advertisement, and all the requirements of the Exchange relating thereto that can be complied with on or before the date of the advertisement have been duly complied with. However, the Exchange accepts no responsibility for any statement in this advertisement.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Rachael Cross', is written over a large, stylized circular mark.

Rachael Cross
LEGAL OFFICER

Auditor's Report to the Shareholder of ASB Bank Limited ("the Bank")

We have audited the financial statements and the financial information in the supplementary information on pages 56 to 88 and 90. The financial statements provide information about the past financial performance and cash flows of the Bank and the Bank and its subsidiaries ("Banking Group") for the year ended 30 June 2002 and their financial position as at that date. The supplementary information contains that information required by clauses 12(3) and 12(4) of the Registered Bank Disclosure Statement (Full and Half-Year – New Zealand Incorporated Registered Banks) Order 1998 (the "Order"). This information is stated in accordance with the accounting policies set out on pages 60 to 62.

Directors' Responsibilities

The directors are responsible for the preparation of

- financial statements in accordance with clause 12(1) of the Order which give a true and fair view of the financial position of the Bank and Banking Group as at 30 June 2002 and of their financial performance and cash flows for the year ended on that date,
- supplementary information in accordance with clause 12(3) of the Order which gives a true and fair view of the matters to which it relates, and
- supplementary information in accordance with clause 12(4) of the Order which complies with Schedules 7 and 8 of the Order.

Auditor's Responsibilities

In accordance with clause 15(1) of the Order, it is our responsibility to express an independent opinion on the financial statements and supplementary information presented by the directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements and supplementary information. It also includes assessing

- the significant estimates and judgements made by the directors in the preparation of the financial statements and supplementary information, and
- whether the accounting policies are appropriate to the Bank and Banking Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and supplementary financial information are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and supplementary financial information.

We provide some information technology assurance services to the Bank.

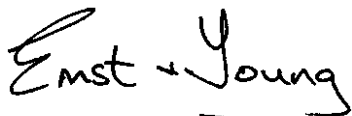
Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion

- proper accounting records have been kept by the Bank and Banking Group as far as appears from our examination of those records, and
- the financial statements on pages 56 to 88
 - comply with generally accepted accounting practice in New Zealand, and
 - give a true and fair view of the financial position of the Bank and Banking Group as at 30 June 2002 and their financial performance and cash flows for the year ended on that date, and
- the supplementary financial information included within the financial statements has been prepared in accordance with
 - the guidelines issued pursuant to section 78(3) of the Reserve Bank of New Zealand Act 1989 or any Conditions of Registration, and
 - the books and records of the Bank and Banking Group, and
- the supplementary financial information disclosed in accordance with clause 12(3) of the Order gives a true and fair view of the matters to which it relates, and
- the supplementary financial information on page 90 disclosed in accordance with clause 12(4) of the Order complies with Schedules 7 and 8 of the Order.

Our audit was completed on 30 July 2002 and our unqualified opinion is expressed as at that date.



30 October 2002

Board of Directors
ASB Capital Limited
PO Box 35
AUCKLAND

Dear Directors

This report is issued in respect of the public offer by ASB Capital Limited ("the Company") of up to 200 million perpetual preference shares in the Company, in terms of the Prospectus to be dated on 30 October 2002

Directors' Responsibilities

The directors are responsible for the preparation and presentation of the forecasts of the Company for the period ending 30 October 2003, including the assumptions on which the forecasts are based, as required by clause 10 of the First Schedule to the Securities Regulations 1983 ("the First Schedule")

Auditor's Responsibilities

We are responsible for reporting, in accordance with clause 42(2) of the First Schedule, on the forecasts for the period ending 30 October 2003

This report has been prepared for inclusion in the Prospectus for the purpose of meeting the requirements of clause 42 of the First Schedule. We disclaim any assumption of responsibility for reliance on this report or the amounts included in the forecasts for any other purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the Prospectus not mentioned in this report

Other than in our capacity as auditor we have no relationship with, or interest in, the Company

Basis of Opinion

We have conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the forecasts are free from material misstatements, whether caused by fraud or error

We have examined the forecast to confirm that, so far as the accounting policies and calculations are concerned, they have been properly compiled on the footing of the assumptions made or adopted by the directors of the Company and are presented on a basis consistent with the accounting policies normally adopted by the Company. The assumptions relate to future events

Unqualified Opinion

We have obtained all the information and explanations we have required

In our opinion

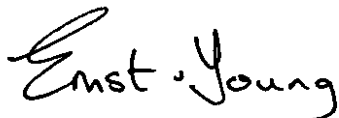
- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records, and
- (b) the forecasts on page 50, so far as the accounting policies and calculations are concerned, have been properly compiled on the footing of the assumptions made or adopted by the directors of the Company set out on page 51 and are presented on a basis consistent with the accounting policies normally adopted by the Company

Actual results are likely to be different from the forecast financial information since anticipated events frequently do not occur as expected and the variation could be material

Accordingly we express no opinion as to whether the financial forecasts will be achieved

We completed our work for the purposes of this report on 30 October 2002 and our unqualified opinion is expressed as at that date

Yours faithfully



Ernst and Young, Chartered Accountants
Auckland, New Zealand

30 October 2002

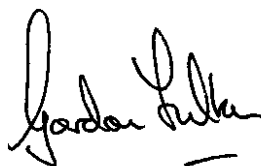
The Directors
ASB Capital Limited
PO Box 35
AUCKLAND

For the Attention of Ms Kylie Foy

Dear Sirs

We hereby consent to the inclusion of our report dated 30 October 2002 in the prospectus of ASB Capital Limited dated 30 October 2002 in the form and the context in which it is included

Yours faithfully
ERNST & YOUNG

A handwritten signature in black ink, appearing to read 'Gordon Fulton', with a horizontal line underneath.

Gordon Fulton
Partner

ASB GROUP (HOLDINGS) LIMITED
THE NEW ZEALAND GUARDIAN TRUST COMPANY LIMITED
ASB CAPITAL LIMITED

SECURITY TRUST DEED

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DEED dated 30th October 2002

PARTIES

ASB GROUP (HOLDINGS) LIMITED ("the Company")

THE NEW ZEALAND GUARDIAN TRUST COMPANY LIMITED ("Trustee")

ASB CAPITAL LIMITED ("ASB Capital")

INTRODUCTION

- A ASB Capital has issued certain perpetual preference shares
- B The Company wishes to grant certain covenants, and security, in favour of the holders from time to time of the perpetual preference shares referred to in paragraph A
- C The Trustee has accepted appointment to act as trustee on behalf of the holders from time to time of those shares
- D ASB Capital is party to this deed in order to give certain covenants in favour of the Trustee

COVENANTS

1 INTERPRETATION

1.1 Definitions In this deed unless the context otherwise requires

"ASB Bank" means ASB Bank Limited

"ASB Bank Preference Shares" means up to 200 million perpetual preference shares issued by ASB Bank and held by the Company

"ASB Capital Loan" means a loan made or to be made by ASB Capital to the Company, whereby ASB Capital has lent or will lend to the Company the proceeds of issue of the Preference Shares

"ASB Capital Security Interest" means a security interest in the ASB Bank Preference Shares granted by the Company in favour of ASB Capital, to secure the ASB Capital Loan, which ranks after the security interest granted by this deed in favour of the Trustee

"Business Day" means any day other than a Saturday, Sunday, or a statutory public holiday in New Zealand

"Commonwealth Bank" means Commonwealth Bank of Australia Limited

"Collateral" has the meaning in clause 4.1

"Constitution" means the constitution of ASB Capital

"Default" means any event specified in clause 13.1

"Date of Enforcement" means the date on which the security created by this deed is enforced by the Trustee

"Distribution" has the meaning in section 2(1) of the Companies Act 1993

"Dividend" means any dividend on the Preference Shares payable pursuant to Article 4.2 of the Terms

"Dividend Payment Date" has the meaning in the Terms

"Dividend Period" has the meaning in the Terms

"Holder" in respect of a Preference Share means a person whose name is entered in the Register as the holder for the time being of that Preference Share

"Liquidation" means, in relation to a company, either

- (a) the process of liquidation provided for in Part XVI of the Companies Act 1993, or
- (b) its becoming subject to statutory management under the Corporations (Investigation and Management) Act 1989 or the Reserve Bank of New Zealand Act 1989

"PPSA" means the Personal Property Securities Act 1999

"Preference Share" means a perpetual preference share issued by ASB Capital on the terms recorded in the Terms

"Receiver" means a receiver, or receiver and manager, appointed under this deed

"Register" means the share register of ASB Capital

"Registered Address" in respect of a Holder means the address of that Holder for the time being recorded in the Register

"Rights" has the meaning in clause 4.1

"Secured Money" means all amounts of any nature which the Company is or may at any time become liable (whether actually or contingently) to pay or deliver to the Trustee (whether as trustee for the Holders, on its own account, or otherwise)

"Special Resolution" means a special resolution (as defined in section 2 of the Companies Act 1993) of Holders

"Terms" means the rights, privileges, limitations and conditions of the Preference Shares recorded in the Constitution and set out in the appendix to this deed

"Transfer" means, in relation to ASB Bank Preference Shares or Rights, a transfer thereof duly signed by the Company with the name of the transferee, date, and consideration left blank, but otherwise in proper form for registration by ASB Bank

1.2 **Interpretation** Unless the context otherwise requires or specially otherwise stated, in this deed

- (a) headings are to be ignored,
- (b) "including" and similar words do not imply any limitation,
- (c) references to any form of law is to New Zealand law, including as amended or re-enacted,

- (d) if a party comprises more than one person, each of those person's liability is joint and several,
- (e) references to a party or a person includes any form of entity and their respective successors, assigns and representatives,
- (f) every right, power and remedy of a party remains unrestricted and may be exercised without prejudice to each other at anytime,
- (g) singular includes plural and vice versa,
- (h) references to a gender covers any gender,
- (i) amounts are in NZ\$,
- (j) New Zealand time and dates apply,
- (k) any word or expression cognate with a definition in this deed has a meaning corresponding or construed to the definition,
- (l) references to sections, clauses, schedules, annexes or other identifiers are to those in this deed,
- (m) references to a document or agreement includes it as varied, novated or replaced,
- (n) each schedule and any other attachment is part of this deed,
- (o) the expressions "**attach**", "**document of title**", "**investment security**", "**proceeds**" and "**security interest**" have, if and where used, the respective meanings given to them under, or in the context of, the PPSA

2 COVENANT - DIVIDENDS

2.1 Unpaid Dividends If

- (a) a Dividend is payable in respect of the Preference Shares pursuant to Article 4.2 of the Terms, and
- (b) payment of that Dividend is not cancelled pursuant to Article 4.7 of the Terms, and
- (c) within five Business Days after the Dividend Payment Date on which that Dividend is payable, ASB Capital has not paid to each Holder the amount of that Dividend,

then the Company shall (subject to clause 2.2) pay to the Trustee an amount equal to the amount of that Dividend in respect of all Preference Shares, or so much thereof as is unpaid

- 2.2 **Limitation** The Company has no obligation to make payment under clause 2.1 in respect of a Dividend if ASB Bank or Commonwealth Bank has given to ASB Capital a notice of the nature referred to in Article 4.8(c) or Article 4.8(d) of the Terms, except, if the party which gave that notice subsequently gives to ASB Capital a notice of the nature referred to in Article 4.9 of the Terms, in respect of Dividend Periods commencing after that party gives that notice under Article 4.9 of the Terms, and then

only unless and until any of ASB Capital, ASB Bank or Commonwealth Bank give a notice under Article 4.7 of the Terms

3 COVENANT - CAPITAL

3.1 Payment in Liquidation If

- (a) a Liquidation of ASB Capital is commenced, and
- (b) all Holders do not, within one year after commencement of that Liquidation, receive in respect of the Preference Shares the amounts payable in respect of the Preference Shares pursuant to Article 4.12 of the Terms, then (subject to clause 3.2) the Company shall pay to the Trustee that amount or so much thereof as is unpaid

3.2 **Limitations** Clause 3.1 shall not take effect, and the Company is not required to make any payment under clause 3.1, and neither the Trustee nor any Holder may take any proceedings to enforce clause 3.1, unless and until a Liquidation of ASB Bank has commenced. For the avoidance of doubt, the Trustee may, after commencement of the Liquidation of ASB Bank, enforce the covenant in clause 3.1 in respect of an amount which became payable in the Liquidation of ASB Capital before the commencement of the Liquidation of ASB Bank

4 SECURITY

4.1 Security interest As security for

- (a) the payment or delivery of the Secured Money, and
- (b) the performance by the Company of all of the Company's other obligations to the Trustee under this deed,

the Company grants to the Trustee a security interest in

- (c) the ASB Bank Preference Shares,
- (d) all,
 - (i) Distributions, and
 - (ii) other rights, money or investment securities of any nature, ("Rights") attributable to, or arising from, the ASB Bank Preference Shares,
- (e) all proceeds of any ASB Bank Preference Shares or Rights, and
- (f) all documents of title relating to any ASB Bank Preference Shares or Rights,

and all of the Company's present and future rights in relation to the ASB Bank Preference Shares, Rights, proceeds and documents of title ("**Collateral**") So far as it concerns each security interest over or in respect of any present or future account receivable and present and future rights in relation to any account receivable, the security interest granted shall take effect as a transfer (as "**transfer**" is used in the context of and for the purposes of the PPSA)

- 4 2 **No disposal** The Company shall not dispose of, or permit the disposal of, or permit any other security interest (other than the ASB Capital Security Interest) to attach to, any Collateral

5 LIMITED RECOURSE

- 5 1 **Limitation on recourse** Notwithstanding anything to the contrary in this deed but subject to clause 5 2, the following provisions apply

- (a) the Company remains liable in contract to meet the obligations assumed by the Company under this deed but the rights of the Trustee and Holders to enforce those obligations shall be limited in the manner provided in the following paragraphs,
- (b) neither the Trustee nor any Holder shall be entitled to enforce payment, repayment or recovery of any moneys owing to the Trustee or any Holder under this deed against the Company personally or against any assets or property of the Company other than the Collateral,
- (c) neither the Trustee nor any Holder shall, in relation to any obligation of the Company under this deed, obtain any judgment or seek or attempt to obtain any judgment for payment by the Company of any money in relation to any breach of this deed,
- (d) the Trustee's and each Holder's rights of recovery against the Company shall be limited to the Collateral,

provided that nothing in this limited recourse provision prevents the Trustee from

- (i) exercising the Trustee's rights under this deed insofar as they enable the Trustee to exercise the Trustee's security rights in relation to the Collateral,
- (ii) seeking or obtaining an injunction or restraining order to restrain any breach of this deed or any security, or obtaining any declaratory relief

- 5 2 **Trustee's remuneration** Clause 5 1 does not apply to the obligation of the Company to pay to the Trustee or any Receiver amounts described in clause 12 1

6 COVENANTS OF COMPANY

- 6 1 **Covenants** The Company shall

- (a) comply with all laws and all governmental requirements and orders so that neither the Collateral nor the security interest under this deed are adversely affected,
- (b) promptly notify the Trustee of any matter adversely affecting a material part of the Collateral, and of any Default,
- (c) promptly deposit with the Trustee
 - (i) documents of title (if any) to the ASB Bank Preference Shares and any Rights,

- (ii) if required by the Trustee, a Transfer (or such number of separate Transfers as the Trustee may require) in respect of the ASB Bank Preference Shares and any Rights, and
- (iii) any certificates or documents of title issued by ASB Bank in substitution for, or replacement of, any of the certificates or documents of title referred to in clauses 6 1(c)(i) and (ii),
- (d) do all other things which the Trustee reasonably requires to enable the Trustee to
 - (i) ensure that the Collateral is subject to an effective security interest having first priority (including, but not limited to, providing details of any Collateral, and delivering any Collateral to the Trustee where possession of that Collateral by a third party may have the result that the interest of that third party in that Collateral would take priority over the interest of the Trustee), and/or
 - (ii) assist the Trustee in exercising any of the Trustee's rights or powers under this deed, whether on enforcement of the security interest (including, but not limited to, the sale of any of the Collateral) or otherwise, including, but not limited to, exercising all rights of inspection, requesting all information and taking all necessary copies, which the Company is entitled to exercise, request or take and, for the purposes of section 216 of the Companies Act 1993, the Company hereby authorises the Trustee to inspect those records of ASB Bank which the Company is entitled to inspect by virtue of that Act
- (e) Whenever requested, provide the Trustee, any Receiver or any other person appointed by the Trustee, within a reasonable time, any oral or written information relating to its business or affairs which the Trustee may reasonably require

6 2 Further assurance Without limiting in any way any other provisions of this deed, the Company shall deliver to the Trustee any transfer, assignment, security, instrument, or other deed or document, and shall do all other things, which the Trustee requires to enable it to

- (a) ensure that the Collateral is subject to an effective security interest and/or charge (as applicable) having first priority, and/or
- (b) exercise, or facilitate the exercise of, all or any of the rights, powers and remedies conferred on the Trustee or any Receiver by, or pursuant to, this deed or by law, whether on enforcement of the security interest or charge (including, but not limited to, the sale of any of the Collateral) or otherwise,

and, for the purposes of this clause, a certificate signed by the Trustee to the effect that any particular transfer, assurance or other thing required by it is required shall be conclusive evidence of the fact

7 DISTRIBUTIONS

7 1 Before default Until a Default occurs the Company shall

- (a) apply all Dividends received by the Company in payment of interest on the ASB Capital Loan,
- (b) apply any other Distributions made in respect of the ASB Bank Preference Shares in payment of interest on, or repayment of, the ASB Capital Loan

- 7 2 **After default** After a Default has occurred, all Distributions in respect of the ASB Bank Preference Shares shall be applied by the Trustee in or towards payment of the Secured Money, and if any such Distribution is received by the Company, the Company shall promptly pay or transfer it to the Trustee

8 INDEMNITY

- 8 1 **Indemnity** The Company shall indemnify the Trustee and any Receiver
- (a) for all costs, losses and other liabilities incurred or sustained by the Trustee or the Receiver in relation to this deed and in exercising any right or recovering any Secured Money, and
 - (b) against any claim by any person relating to the Collateral, or the exercise by the Trustee or the Receiver of any right or power under this deed

9 ATTORNEY

- 9 1 **Power of attorney** The Company irrevocably appoints the Trustee, every officer of the Trustee and every Receiver, individually, to be the Company's attorney ("**Attorney**") with full power to
- (a) (at the Company's expense) do anything which the Company agrees to do under this deed and anything which, in the Attorney's opinion, is desirable to protect the Trustee's interests under this deed (even if the Attorney has a conflict of duty in doing so, or has a direct or personal interest in the means or result of the exercise of any of the Attorney's powers), and
 - (b) delegate the Attorney's powers to any person for any period and to revoke a delegation,

and the Company ratifies anything done by the Attorney or any delegate in accordance with this clause

10 REPORTS FOR TRUSTEE

- 10 1 **Reporting requirements of ASB Capital** Within three Business Days after each Dividend Payment Date, ASB Capital shall deliver to the Trustee a certificate, signed by two directors of ASB Capital on behalf of all directors of ASB Capital, stating
- (i) whether a Dividend was paid on the Dividend Payment Date and, if not, whether the Dividend was cancelled,
 - (ii) whether a Liquidation of ASB Capital has commenced during the Dividend Period ending on the Dividend Payment Date,
 - (iii) whether ASB Capital has complied with the Terms during the Dividend Period ending on the Dividend Payment Date and, if not, providing details of the non-compliance, and
- 10 2 **Notices** ASB Capital shall provide to the Trustee, at the same time as they are sent to Holders, copies of any notices or other communications sent by ASB Capital to Holders
- 10 3 **Reporting requirements of the Company** Within 10 Business Days after 30 June and 31 December in each year, the Company shall deliver to the Trustee a certificate, signed

by two directors of the Company on behalf of all directors, stating whether during the period commencing on the date of last certificate (or in the case of the first certificate, the date of this deed) and ending on the date as at which the certificate is given

- (a) a Default has occurred, and
- (b) the Company has complied with its obligations under this deed

11 RIGHTS AND POWERS OF THE TRUSTEE

11.1 Rights The Trustee may at any time

- (a) do all things as the Trustee thinks desirable to remedy any default by the Company or otherwise protect the Collateral or the security interest or charge under this deed,
- (b) notify ASB Bank of the security interest under this agreement,
- (c) after a Default has occurred
 - (i) cause itself to be registered as the holder of any ASB Bank Preference Shares, or as the person entitled to any Rights, in order to hold those shares or Rights as the secured party under this deed,
 - (ii) complete and present any Transfer to ASB Bank for registration, and
 - (iii) complete in favour of any person (including the Trustee itself) who is purchasing the ASB Bank Preference Shares under the powers given to the Trustee by this agreement or by law, any Transfer or any other document signed by or on behalf of the Company
- (d) retain and hold all documents of title and Transfers deposited with the Trustee in accordance with this deed until the Trustee delivers to the Company a final release of this deed,
- (e) determine whether or not to enforce this deed or any other security or right,
- (f) make any arrangement or compromise with the Company or any other person which the Trustee thinks fit

11.2 Powers of investment Any moneys held by the Trustee which are subject to the trusts of this deed may, at the discretion of the Trustee, be invested in the name of the Trustee, or its nominee, in any investment whatever, with power to vary such investments for others of a like nature and to deal with, or dispose of, such investments. The income arising from all such investments shall, until the Date of Enforcement, belong to the Company

11.3 Applications to court The Trustee may, on or at any time after the Date of Enforcement, apply to the court for an order that the powers and trusts contained in this deed be exercised under the direction of the court and/or for the appointment of a Receiver of the Collateral and/or for any other order or direction in relation to the execution and administration of the powers and trusts contained in this deed as the Trustee deems expedient and the Trustee may assent to, approve of, or oppose, any application to the court made by, or at the instance of, any Holder and shall be indemnified by the Company against all costs, charges and expenses incurred by, and in relation to, any such application or proceedings

- 11.4 **Waiver** Subject to any direction or request given pursuant to clauses 14.1 or 15.1 or otherwise given by the Holders, the Trustee may, at any time, by written notice to the Company waive, in whole or in part, for a specified period or indefinitely and on such terms and conditions (if any) as it deems expedient, any breach or anticipated breach by the Company of any provision expressed or implied in this deed, provided the Trustee is satisfied that the interests of the Holders will not be materially prejudiced as a result, but such waiver shall not prejudice the rights of the Trustee or the Holders in respect of any other breach. Any waiver by the Trustee in accordance with this clause 11.4 shall be binding on all Holders and the Company shall, if the Trustee considers that the circumstances warrant such notification and so certifies to the Company, notify the Holders as soon as reasonably practicable.
- 11.5 **Supplemental powers** In addition to the provisions of the law relating to trustees, and to facilitate the discharge of its duties under this deed the following is expressly declared
- (a) **Third party advice** The Trustee may, without liability for loss, obtain and act on, or decline and elect not to act on
 - (i) the opinion or advice of, or any information obtained from, any barrister, solicitor, valuer, stockbroker, chartered accountant or other expert, whether obtained by the Company or by the Trustee or otherwise, and although that opinion or advice may subsequently be found to contain some error or not be authentic,
 - (ii) a certificate signed by any two directors of the Company on behalf of the directors of the Company as to any fact or matter prima facie within the knowledge of the Company, or certifying that any particular dealing, transaction, step or thing is expedient or commercially desirable and not detrimental to the interests of the Holders,
 - (iii) the statements contained in any certificate or report given pursuant to this deed as conclusive evidence of the facts stated in that certificate
 - (b) **Holders' resolution** The Trustee shall not be responsible for acting, or relying, upon any resolution purporting to have been passed at any meeting of the Holders which the Trustee believes to have been properly passed even though it afterwards appears that the resolution is not binding or valid by reason of a defect in the convening of that meeting, or its proceedings, or for any other reason
 - (c) **Subscribers' money** The Trustee is not responsible for the moneys subscribed by the applicants for, or by subscribers of, the Preference Shares, and is not bound to see to the application of any of those moneys
 - (d) **Defects in title** The Trustee shall not be bound or concerned to examine or enquire into, or be liable for any defect or failure in, the title of the Company to any Collateral, whether such defect or failure might have been discovered upon an examination or enquiry and remedied or not
 - (e) **Breach** Notwithstanding any other provision of this deed, the Trustee shall exercise reasonable diligence to ascertain whether or not the Company has committed any breach of this deed
 - (f) **Knowledge of default** The Trustee may assume that the Company is performing its obligations and will not be deemed to have knowledge of the occurrence of any breach of this deed unless any of its officers actually becomes aware that such a breach has occurred or the Trustee has received

written notice from a Holder or the Company stating that such a breach has occurred and describing that breach

- (g) **Discretion** Except as otherwise expressly provided in this deed, the Trustee
- (i) shall have absolute discretion as to the exercise of all trusts, powers, authorities and discretions vested in it by this deed and as to the conduct of any action, proceeding or claim and, provided it has acted with reasonable care and diligence, it shall not be responsible for any loss or cost that may result from the exercise or non-exercise of a trust, power, authority and/or discretion,
 - (ii) may refrain from exercising any discretion, power or authority vested in it by this deed until it has a direction to act from the Holders given by Special Resolution and the Trustee shall not be responsible for any loss or cost that may result from doing so
- (h) **Determinations conclusive** As between itself and the Holders, the Trustee may determine all questions and doubts arising in relation to any provision of this deed and every such determination, whether made on a question actually raised, or implied in the acts or proceedings of the Trustee, shall be conclusive and shall bind the Trustee and the Holders
- (i) **Delegation** The Trustee, whenever it thinks it expedient in the interests of the Holders to do so, may
- (i) delegate, at any time, to any person, any of the trusts, powers, authorities or discretions vested in the Trustee by this deed which cannot conveniently be exercised by it or through its employees, upon such terms and conditions and under such regulations (including power to sub-delegate) as the Trustee thinks fit, and the Trustee shall not be responsible for any loss incurred by any misconduct or default on the part of any such delegate or sub-delegate,
 - (ii) authorise such person as it thinks fit to act as its representative at any meeting, or
 - (iii) in addition to the exercise of the powers contained in clause 11.3, apply to the court for directions in relation to any question arising either before or after the Date of Enforcement
- (j) **Interests of foreign Holders** In the exercise of any trust, duty, power, authority or discretion under this deed, the Trustee shall have regard to the interests of the Holders as a whole and shall not have regard to the consequences of such exercise for individual Holders as a result of the Holder being, for any purpose, domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular country or place other than New Zealand

11.6 **Represent Holders** The Trustee may, either of its own volition or pursuant to any directions or in accordance with any policy given or indicated by any meeting of Holders, represent the Holders in any matter concerning them generally

11.7 **No prejudice** The rights, powers, authorities and discretions conferred upon the Trustee by this deed are without prejudice, and in addition, to any other rights, powers, authorities and discretions to which the Trustee is at any time entitled (whether under this deed or by law, contract or otherwise, and whether vested in the Trustee in its capacity as trustee for the Holders, or otherwise) Unless otherwise expressly provided in this deed,

the Trustee's rights under this deed may be exercised by the Trustee without prior notice to the Company, any Holder or any other person

12 OTHER PROVISIONS RELATING TO THE TRUSTEE

12.1 Remuneration

- (a) The Company shall pay to the Trustee, for its services as Trustee, such remuneration as is, from time to time, agreed between the Company and the Trustee. If the Company and the Trustee fail to agree on any amount payable under this clause, the matter shall be referred to an arbitrator to be appointed by the parties, if they can agree on one, and otherwise to an arbitrator to be appointed by the President, for the time being, of the Institute of Chartered Accountants of New Zealand, in accordance with the Arbitration Act 1996.
- (b) The Company shall also pay all expenses (including legal fees on a full indemnity basis and travelling expenses) reasonably incurred by, or on behalf of, the Trustee in connection with
 - (i) the preparation, execution and registration of this deed,
 - (ii) the exercise by the Trustee of any right, power, duty or privilege conferred by this deed on the Trustee or on any Holder, including the taking of any expert advice deemed necessary or expedient by the Trustee,
 - (iii) any breach or default in the observance or performance by the Company of any provision of this deed,
 - (iv) the convening, and holding, and carrying out of any directions or resolutions, of any meeting of Holders,
 - (v) any application under the trusts and provisions of this deed for its consent to, or approval of, any act or matter, or
 - (vi) the preparation, execution and registration of any release of this deed
- (c) The remuneration and other amounts payable pursuant to this clause are payable on demand and shall continue to be payable until the trusts of this deed are finally wound up, whether or not a Receiver has been appointed or the trusts of this deed are in the course of administration by, or under the direction of, the court
- (d) All expenses incurred, and payments made, by the Trustee or any Receiver in the lawful exercise of the powers conferred by this deed, and all remuneration payable to the Trustee or to any Receiver, are payable by the Company on demand, shall form part of the Secured Money, shall be secured by the security interest and charge under this deed, and shall be satisfied before any payment is made out of the Collateral to the Holders and, until payment, shall carry interest at the rate certified by the Trustee to be 2% per annum in excess of the 90 day bank bill rate fixed on such basis as the Trustee determines

12.2 Indemnity out of Collateral Without prejudice to the right of indemnity given to trustees by law

- (a) the Trustee and every Receiver, attorney, manager, agent or other person appointed by the Trustee pursuant to this deed shall be indemnified out of the

Collateral in respect of all liabilities and expenses incurred in the execution or purported execution of the trusts, duties, powers, authorities and discretions of this deed and against all actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted, or in any way relating to this deed, other than a claim arising out of wilful default, wilful breach of trust or gross negligence,

- (b) the Trustee may retain and pay out of any moneys in its hands arising from the trusts of this deed all sums necessary to give effect to the indemnity given under clause 12.2(a) and to pay the remuneration and disbursements of the Trustee provided for in this deed, and
- (c) all moneys payable to the Trustee under this clause 12.2 or otherwise arising in any way out of, or in connection with, this deed shall form part of the Secured Money and shall be secured by the security interest and charge under this deed

12.3 Indemnity by Holders The Trustee is not bound to comply with a request or direction pursuant to the provisions of clauses 14.1 or 15.1, or its obligations under clause 20.1, unless the Trustee has first been indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may be rendered liable, and all costs, charges, damages and expenses which it may incur, by so doing, and such indemnity survives release of this deed

12.4 Fiduciary relationship Nothing expressed in this deed or implied by law prohibits the Trustee or any of its related companies (in this clause, where the context permits, all being included in the term "Trustee") or the officers of the Trustee from being a shareholder, stockholder or other creditor of the Company or of any of its related companies or from acting in any representative capacity for a Holder. The Trustee may enter into any transaction with the Company or any of its related companies and is not accountable to the Holders for any profits arising from any such transaction

12.5 Confidentiality The Trustee is not required to disclose to any Holder any confidential financial or other information made available to the Trustee by the Company, unless ordered to do so by a court of competent jurisdiction

12.6 Retirement The Trustee may retire at any time, without assigning any reason for doing so, upon giving written notice to the Company of not less than 90 days, subject to the due appointment of a new Trustee and the transfer to that new Trustee of the securities (if any) collateral to this deed and the moneys and investments held by the Trustee pursuant to this deed

12.7 Appointment of new Trustee

- (a) The power of appointing a new Trustee or Trustees is vested in the Company but no new Trustee shall be appointed unless the appointment is first approved by a Special Resolution
- (b) Upon any vacancy in the office of Trustee arising, the Company shall promptly call a meeting of the Holders for the purpose of approving the appointment of a new Trustee and, if approval is given, the Company shall exercise its power of appointment
- (c) If, within 30 days after receiving notice of the Trustee's intention to retire, the Company fails to call a meeting of Holders in accordance with clause 12.7(b), or to exercise the power of appointing a new Trustee or new Trustees vested in it by this clause, the Holders may, by Special Resolution, exercise such power to the exclusion of the Company

13 DEFAULT

13 1 **Enforcement** Subject to clause 11 4, the security created under, and by, this deed becomes enforceable if any of the following events occur

- (a) a Liquidation of ASB Capital is commenced,
- (b) a Liquidation of ASB Bank is commenced,
- (c) a Liquidation of the Company is commenced,
- (d) the Company fails to comply with any of its obligations under this deed, and that failure continues for a period of 20 Business Days after receipt by the Company of notice from the Trustee specifying the failure and requiring that it be remedied

14 TRUSTEE'S POWERS ON ENFORCEMENT

14 1 **Powers on enforcement** At any time after a Default occurs, the Trustee may, and shall immediately (subject to the provisions of clause 12 3) upon being directed to do so by a Special Resolution

- (a) require payment to the Trustee of an amount calculated in accordance with clause 14 2,
- (b) (whether or not a Receiver has been appointed) exercise any of the powers of a Receiver, or which a person would have if appointed as a Receiver under this deed, and/or
- (c) pay any expenses incurred in the exercise of any of such powers out of the revenue from, or proceeds of realisation of, the Collateral, and the Trustee may for any such purpose, or for any other purpose expressed or implied in this deed, borrow or raise money on the security of the Collateral in priority to the Secured Money, on such terms as the Trustee thinks fit

14 2 **Amount** The amount referred to in clause 14 1(a) is the aggregate of

- (a) any part of the Secured Money due and payable by the Company to the Trustee on the date the Trustee makes a requirement under clause 14 1(a), and
- (b) an amount equal to the aggregate amount which would be payable under Article 4 12 of the Terms if a Liquidation of ASB Capital commenced on the date on which the Trustee makes its requirement

For the avoidance of doubt, the Trustee may require payment to the Trustee of any part of the Secured Money not referred to in clause 14 2(a) or (b) which becomes due and payable after the Trustee makes a requirement under clause 14 1(a), as and when the same becomes due and payable

14 3 **No obligation to advise event of default** The Trustee shall not be under any obligation to advise any Holder of any occurrence of the nature specified in clause 14 1, or to convene any meeting of Holders, unless in the Trustee's opinion the occurrence will, or may have, a material adverse effect on the interests of the Holders generally

15 RECEIVER

15 1 **Appointment of Receiver** The Trustee may (whether or not the Trustee has exercised any other power)

(a) at any time after a Default occurs, or

(b) if the Company requests,

appoint any person or persons to be a Receiver of all or any of the Collateral, and shall (subject to the provisions of clause 12 3) appoint a person or persons as Receiver upon being directed to do so by a Special Resolution. The Trustee may remove any Receiver and may appoint a new Receiver in place of any Receiver who has ceased for any reason to hold office, or in addition to a Receiver already appointed

15 2 **Powers of Receiver** In addition to, and without limiting or affecting, any other powers and authorities conferred on a Receiver (whether under the Receiverships Act 1993 or at law or otherwise), a Receiver has the power to do all things in relation to the Collateral as if the Receiver had absolute ownership of the Collateral. The Receiver shall, in the exercise of his or her powers, authorities and discretions, comply with any directions given by the Trustee

15 3 **Moneys on trust** Except as otherwise directed by the Trustee, all money from time to time held by the Receiver which is not required to be retained by the Receiver for the performance of his or her duties shall be paid to the Trustee to be held by it on the trusts declared in this deed

16 PROTECTION OF TRUSTEE, RECEIVER AND OTHER PERSONS

16 1 **Accountability** If the Trustee or a Receiver sells any Collateral (whether pursuant to this deed or otherwise), the Trustee or Receiver shall be accountable only for any purchase money which that person actually receives

16 2 **Protection of persons dealing with the Trustee or Receiver** No person dealing with the Trustee or any Receiver, or with any person acting on behalf of any of them, shall

(a) be concerned to enquire whether any power which the Trustee, Receiver, or person acting on their behalf, as the case may be, is purporting to exercise have become exercisable (whether by a Default, the proper appointment of a Receiver, or otherwise), or otherwise as to any matter in connection with the exercise of any such power, or

(b) see to the application of any amount paid to the Trustee, Receiver, or person acting on their behalf, as the case may be,

and, in the absence of fraud on the part of that person, such dealing shall be deemed, so far as regards the safety and protection of that person, to be within the powers conferred by this deed and to be valid and effective accordingly, and the remedy of the Company in respect of any irregularity or impropriety whatever in the exercise of those powers shall be in damages only

16 3 **No liability** The Trustee or a Receiver shall not be liable to account, or for any loss, as mortgagee in possession and may at any time give up possession of any Collateral. Neither the Trustee nor a Receiver shall be liable for any losses which may occur in, or as a result of, the exercise, purported exercise or non-exercise of any of their rights, powers or remedies

- 16 4 **Concurrent sale or receivership** The Trustee may, upon such terms as it thinks proper, join in exercising its powers under this deed with any other secured creditor of the Company and in particular may, on such terms as it thinks proper, join in appointing a common Receiver of the Collateral or any part thereof, subject to the Trustee retaining such priority as is enjoyed by it in respect of the Collateral but with liberty for the Trustee to make any arrangements it thinks proper for the purpose of ensuring the respective priorities

17 DISTRIBUTION OF PROCEEDS

- 17 1 **Application of proceeds** All amounts received by the Trustee or any Receiver, whether in the exercise of that person's powers or otherwise shall be applied in accordance with the provisions of the PPSA
- 17 2 **Distribution of funds** All money received by the Trustee pursuant to clause 17 1 and available for that purpose shall be held and applied
- (a) first, in or towards payment to the Holders, *pari passu* in proportion to the amounts owing to them, of Dividends payable in accordance with the Terms,
 - (b) secondly, in or towards payment to Holders, *pari passu* in proportion to the amounts owing to them, of amounts payable pursuant to Article 4 12 of the Terms,
 - (c) lastly, subject to the rights of any subsequent encumbrancers, in payment to the Company, or such other person or persons as the Company, or any court of competent jurisdiction on the application of the Trustee, directs
- 17 3 **Payments to ASB Capital** Notwithstanding clause 17 2, if a Liquidation of ASB Capital has not commenced, the Trustee may at its entire discretion pay to ASB Capital any amount held by the Trustee, if the Trustee is satisfied at its discretion that that amount will be applied by ASB Capital in payments to Holders
- 17 4 **Trustee's powers to postpone distribution** If the moneys at any time available under clause 17 2 are less than 10% of the amounts then owing to Holders, the Trustee may, in its discretion, invest those moneys and those investments and the income from them may be accumulated until the accumulations and any other available funds amount to a sum sufficient to pay at least 10% of the amounts then owing to Holders
- 17 5 **Reliance on Register** For the purposes of determining the appropriate payment to be made to Holders pursuant to clause 17 2, the Trustee may rely absolutely on the Register

18 ALTERATIONS TO TRUST DEED AND MEETINGS

- 18 1 **Trustee may concur in certain alterations** The provisions of this deed may be added to, or varied, by deed executed by the Company and the Trustee
- (a) without the consent of the Holders, if the addition or variation
 - (i) is necessary or desirable to correct a manifest error, or to comply with the requirements of any statute or statutory regulations, or the listing rules of any stock exchange,
 - (ii) is of a formal or technical nature,

- (iii) in the opinion of the Trustee, is not, or is not likely to become, prejudicial to the general interests of the Holders,
- (iv) in the opinion of the Trustee, is in the interests of the Holders to take cognisance of a modification to the law in New Zealand, or
- (v) is necessary or convenient for complying with any generally accepted financial market, banking or business practice and, in the opinion of the Trustee, is appropriate and reasonable in all the circumstances and is not, and is not likely to become, prejudicial to the general interests of the Holders, or

(b) with the consent of the Holders given by Special Resolution

18 2 **Meetings** Meetings of Holders shall be convened and held in accordance with the Constitution ASB Capital shall convene a meeting of Holders without delay after receiving from the Trustee a request in writing to convene a meeting of Holders, specifying the resolution or resolutions to be considered at that meeting or a request of Holders in accordance with section 121(b) of the Companies Act 1993 The Trustee shall have no liability to any Holder or any other person if the directors of ASB Capital, having been requested by the Trustee or Holders to convene a meeting of Holders, fail to do so

19 NOTICES

19 1 **Form and method of service** Any notice, requisition, demand or request under this deed ("Notice") may be signed by, or on behalf of, the Company, the Trustee or a Holder, by an officer, employee, agent, attorney or solicitor and may be given to

- (a) a Holder by posting it, postage prepaid and air mail in the case of a Registered Address outside New Zealand, addressed to the Registered Address of the Holder,
- (b) the Company by delivering it, or posting it in accordance with clause 19 1(a), to the registered office of the Company,
- (c) the Trustee, by delivering it, or posting it in accordance with clause 19 1(a), to the office of the branch of the Trustee which normally undertakes and performs the administration of the trusts of this deed or to its registered office or principal place of business

19 2 **Proof of service** In proving the giving of a Notice by post, it shall be sufficient to prove that the person signing has signed for, or on behalf of, the person giving the Notice and that the envelope containing the Notice was properly addressed, stamped and dispatched in the ordinary course of post, and the Notice shall be deemed to be served on the day following the day of posting

19 3 **Notice to joint holders** In the case of joint holders of Preference Shares, a Notice given to the Holder whose name stands first in the Register shall be deemed to have been given to all the joint holders

19 4 **Notice by Trustee** Any Notice may be given by the Trustee to the Company in accordance with sections 185 to 189 of the PPSSA

20 RELEASE, REINSTATEMENT AND REDEMPTION

20 1 **Release** The Trustee shall not be obliged to sign a release of this deed, or to release any Collateral from this deed, unless the Trustee is satisfied that

- (a) the Trustee has received all of the Secured Money, and
- (b) no payment received, or to be received, by the Trustee may be avoided, or required to be repaid by the Trustee, whether under any law relating to insolvency or otherwise

20 2 **Reinstatement** If any payment received or recovered by the Trustee, a Receiver, or any other person on behalf of the Trustee is or may be avoided, whether by law or otherwise, then (notwithstanding that the Trustee may have signed a release pursuant to clause 20 1)

- (a) such payment shall be deemed not to have affected or discharged the liability of the Company under this deed or any other security given by the Company in favour of the Trustee and the Trustee and the Company shall, to the maximum extent permitted by law, be restored to the position in which each would have been if such payment had not been received or recovered, and
- (b) the Trustee shall be entitled to exercise all rights which the Trustee would have been entitled to exercise if such payment had not been received or recovered

21 PERSONAL PROPERTY SECURITIES ACT 1999

21 1 **No consent or subordination** Nothing in this deed shall be construed as

- (a) an agreement to subordinate the security interest under this deed in favour of any person, or
- (b) a consent by the Trustee to any security interest attaching to, or any other security subsisting over, any Collateral other than the ASB Capital Security Interest

21 2 **Contracting out of PPSA rights** The Company

- (a) agrees that if, at any relevant time, the Trustee does not at that time have priority over all other secured parties in respect of any Collateral, then the Company and the Trustee will, for purposes of section 109(1) of the PPSA, be deemed, in accordance with the entitlement to do so under section 107(1) of the PPSA, to have contracted out of that section but specifically on the basis that, as between them and for purposes of this deed and the operation and application of the PPSA, that section 109(1) (but amended only by the deletion of the words "with priority over all other secured parties") is reinstated and contracted back into,
- (b) agrees that nothing in sections 114(1)(a), 133 and 134 of the PPSA shall apply to this deed, or the security under this deed, and
- (c) waives the Company's right to do any of the following
 - (i) object to the Trustee's proposal to retain any Collateral under section 121 of the PPSA,
 - (ii) redeem any Collateral under section 132 of the PPSA

21 3 **Name change** If the Company wishes to change its name, it shall give the Trustee notice of the new name not less than 15 Business Days before the change takes effect,

and shall do all things necessary to ensure that the security interest under this deed is maintained

22 MISCELLANEOUS

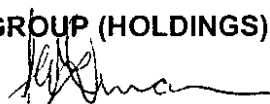
- 22 1 **Other securities** This deed is collateral to each other security (whenever executed or given) which is at any time held by the Trustee in respect of any Secured Money, and nothing in this deed shall prejudice any other security at any time held by the Trustee. The Trustee may exercise any of the Trustee's rights under this deed and any such other security separately or concurrently
- 22 2 **Obligations independent** Each of the obligations of the Company under section 8 and clause 12 2 of this deed, shall constitute a continuing obligation, separate and independent from the Company's other obligations under this deed and shall survive payment of the Secured Money and release of this deed. It shall not be necessary for the Trustee to incur any expense or make any payment before enforcing any of the Trustee's rights in respect of any obligation of the Company under this deed
- 22 3 **No waiver** No delay in acting, or failure to act, by the Trustee is a waiver of any of the Trustee's rights, and the Trustee shall not be liable to any person for any such delay or failure
- 22 4 **No merger or marshalling** The Trustee's right to payment of any Secured Money (including under any negotiable instrument or other agreement or arrangement) shall not merge the Company's obligation to pay that Secured Money under this deed. The Trustee has no duty to marshal in favour of the Company or any other person
- 22 5 **Partial invalidity** An invalid provision of this deed shall not affect the enforceability of the remaining provisions of this deed
- 22 6 **Certificates** A certificate of the Trustee as to any amount or fact which might reasonably be expected to be within the Trustee's knowledge shall be prima facie evidence of that amount or fact
- 22 7 **Continuing security** This deed is a continuing security and shall operate irrespective of any intervening payment, settlement of account or other matter or thing whatever, until a release has been signed by the Trustee and delivered to the Company
- 22 8 **Governing law** New Zealand law governs this deed, and the parties submit to the non-exclusive jurisdiction of the courts of New Zealand

SIGNED AS A DEED

ASB GROUP (HOLDINGS) LIMITED by

Signature of director

Name of director



John William Duncan




Signature of director

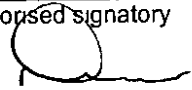
Name of director


Graham Hugh Burrett

Executed under the name and seal of
**THE NEW ZEALAND GUARDIAN
 TRUST COMPANY LIMITED**

and witnessed by


 Authorised signatory


 Authorised signatory


 Signature of witness

Raewyn Hum

*19 Shelmer Place
 Manukau*

Occupation

Executive Assistant

City/town of residence



ASB CAPITAL LIMITED by


 Signature of director

Peter Sidney Hall
 Name of director


 Signature of director

John William Duncan
 Name of director

APPENDIX

Terms of Preference Shares

Set out below are the provisions of the Constitution relevant to the Perpetual Preference Shares
The numbering of the provisions reflects the numbering in the Constitution

1 **DEFINITIONS AND INTERPRETATION**

1 1 **Definitions**

In this Constitution, unless the contrary intention appears

"**ASB**" means ASB Bank Limited,

"**ASB Group (Holdings)**" means ASB Group (Holdings) Limited,

"**Act**" means the Companies Act 1993,

"**Article**" means a provision of this Constitution as amended or added to from time to time,

"**Company**" means ASB Capital Limited,

"**Constitution**" means this Constitution as amended or added to from time to time,

"**director**" means a person holding office as a director of the Company, and where appropriate includes an alternate director,

"**directors**" means all or some of the directors acting as a board and the term "**board**" shall be construed accordingly,

"**Holding Company**" means CBA Funding (NZ) Limited,

"**register**" means the register of members to be kept pursuant to the Act ,

"**ordinary share**" means an ordinary share issued, or to be issued, by the Company as the case may require,

"**preference share**" means a perpetual preference share issued, or to be issued, by the Company as the case may require,

"**share**" means an ordinary share, a preference share or any class of share in the capital of the Company,

"**shareholder**" means any person who is the registered holder of a share,

"**special resolution**" means a resolution approved by a majority of seventy-five per cent (75%) of the votes of those shareholders entitled to vote and voting on the issue

1 4 **Amendment of Constitution**

- (a) Subject to the Act, this Constitution may be altered at any time by way of a special resolution

- (b) An application to change the name of the Company is not an amendment of this Constitution for the purposes of Article 1 4(a) above and may be made by a director with the prior approval of the Holding Company
- (c) Without limiting Articles 4 25 and 4 28, this Constitution shall not be altered or revoked without the written approval of ASB

1 5 Rights of Preference Shares

The rights, privileges, limitations and conditions attaching to the preference shares shall be as set out in Article 4. If there is any conflict between a provision in Article 4 and any other provision of this Constitution, the provision in Article 4 shall prevail

2 ISSUES OF SHARES

2 4 Issue of further shares

The issue of further shares ranking equally with, or in priority to, any existing shares, whether as to voting rights, distributions or otherwise, is deemed not to be an action affecting the rights attaching to the existing shares

4 PREFERENCE SHARES

4 1 Definitions

In Articles 4 1 to 4 30 of this Constitution, unless the context otherwise requires

"Benchmark Rate" on any day means the rate per annum expressed on a percentage yield basis, and rounded up to the nearest two decimal places, which is

- (a) the average of the bid and offered swap rate displayed at or about 11am on that day on page FISSWAP (or any successor page) of the Reuters monitor screen for an interest rate swap with a one year term, or
- (b) if a rate is unable to be determined in accordance with paragraph (a), or if the Company forms the view that the rate so determined is not an accurate reflection of market rates, the average of the mean and bid offered swap rates quoted by three registered banks in New Zealand other than ASB at or about 11am on that day for an interest rate swap with a one year term

"Business Day" means any day other than a Saturday, Sunday or a statutory public holiday in New Zealand

"Buyout Notice" has the meaning in Article 4 21

"Buyout Price" in respect of each preference share at any date means the aggregate of

- (a) the Issue Price,
- (b) subject to Article 4 7, Dividends payable on that preference share as at that date calculated on a daily basis from the end of the most recent Dividend Period to that date

"Commonwealth Bank" means Commonwealth Bank of Australia

"Commonwealth Bank Subsidiary" means the Holding Company or any wholly owned subsidiary of Commonwealth Bank (which is not ASB or a subsidiary of ASB) to which the Holding Company assigns its rights under Articles 4 21 to 4 24

"Distribution" has the meaning set out in section 2(1) of the Act

"Dividend" means any dividend on the preference shares payable pursuant to Article 4 2

"Dividend Amount" in respect of a Dividend Period means a sum in respect of each preference share calculated in accordance with the following formula

$$\text{Issue Price} \times \frac{\text{Dividend Rate}}{4} \times (1 - t)$$

Where

Dividend Rate is

- (a) in respect of each Dividend Period commencing after 15 November 2003, the Benchmark Rate on the Relevant Reset Date plus the Margin (adjusted to an equivalent quarterly rate),
- (b) in respect of each Dividend Period ending on or before 15 November 2003, the greater of
 - (i) the Benchmark Rate on the Rate Set Date plus the Margin (adjusted to an equivalent quarterly rate), or
 - (ii) 7 4% per annum

t is the basic rate of income tax applicable to the Company under Schedule 1 of the Tax Act

provided that the Dividend Amount in respect of the first Dividend Period shall be an amount calculated in accordance with the following formula

$$X \times \frac{Y}{91\ 25}$$

where

X is an amount calculated in accordance with the first formula set out in this definition

Y is the period from and including the Issue Date to but excluding 15 February 2003

"Dividend Cancellation Notice" means a notice given by the board pursuant to Article 4 7

"Dividend Payment Date" means 15 November, 15 February, 15 May and 15 August in each year

"Dividend Period" means each period commencing on and including a Dividend Payment Date and ending on but excluding the next Dividend Payment Date, or, in respect of the first Dividend Period, the period from and including the Issue Date to but excluding 15 February 2003

"Dividend Resumption Notice" means a notice given pursuant to Article 4 9

"Fully Credited" means in relation to a Dividend, that Imputation Credits are validly attached to the Dividend, so that the imputation ratio of the Dividend is the maximum imputation ratio permitted by law

"Holder" in respect of a preference share means a person whose name is entered in the Share Register as the holder for the time being of that preference share

"Imputation Credit" means an imputation credit as defined in section OB 1 of the Tax Act

"Issue Date" in respect of a preference share, means the date on which that preference share is issued

"Issue Price" means \$1 in respect of each preference share

"Margin" means 1 3% per annum

"Rate Set Date" means a date specified by the Company, being the Business Day following the closing date of an offer of preference shares to the public

"Reset Date" means 15 November 2003 and each 15 November thereafter

"Relevant Reset Date" means in respect of a Dividend Period, if that Dividend Period begins on a Reset Date, that Reset Date, and if that Dividend Period does not begin on a Reset Date, the Reset Date immediately preceding that Dividend Period

"Regulatory Authority" means the Reserve Bank of New Zealand, the Australian Prudential Regulation Authority or any other authority having jurisdiction in respect of banking in Australia or New Zealand

"Share Registrar" means an agent appointed by the Company to keep the register of the preference shares

"Tax Act" means the Income Tax Act 1994

"Trust Deed" means a trust deed dated 30 October 2002 between the Company, ASB Group (Holdings) and The New Zealand Guardian Trust Company Limited whereby the Company and ASB Group (Holdings) give certain covenants for the benefit of Holders

Whenever in Articles 4 1 to 4 30 there is a reference to a date, and that date is not a Business Day, the reference shall be deemed to be to the next day which is a Business Day

4 2 Dividend

The preference shares carry the right to a dividend, payable in priority to other Distributions in accordance with Article 4 6, in respect of each Dividend Period equal to the Dividend Amount for that Dividend Period

4 3 Dividend to be Fully Credited

All Dividend Amounts shall be Fully Credited The only consequence of, or remedy for, a Dividend Amount not being Fully Credited shall be the payment by the Company of the amount referred to in Article 4 4

4 4 Imputation Credit shortfall

If all or any part of a Dividend Amount is not Fully Credited the Company shall pay to each Holder an amount equal to the shortfall in Imputation Credits of which Holders would otherwise have had the benefit. The amount payable under this Article 4.4

- (a) is due on the Dividend Payment Date of the Dividend Amount and, to the extent paid, substitutes for or replaces the corresponding obligation of the Company under Article 4.3, and
- (b) shall be regarded as a variation in the rate at which Dividends are calculated

4.5 Dividend Payment Date

If a Dividend is paid in respect of any Dividend Period, it shall be paid on the Dividend Payment Date on which that Dividend Period ends

4.6 Dividends to have priority

Dividends shall rank for payment in priority to the rights in respect of dividends or other Distributions of all holders of other classes of shares of the Company

4.7 Cancellation of Dividends

Without limiting section 52(1) of the Act, but subject to Article 4.8, the directors may, by notice sent to Holders not later than five Business Days after the end of a Dividend Period, cancel the payment of Dividends in respect of that Dividend Period and all subsequent Dividend Periods, until such time as the board gives a Dividend Resumption Notice

4.8 Reasons for cancellation

The board may give a Dividend Cancellation Notice if

- (a) the board is not satisfied on reasonable grounds that immediately after payment of a Dividend the Company will satisfy the solvency test, or
- (b) the board has for any other reason determined in its discretion that a Dividend, or Dividends generally, should not be paid, or
- (c) ASB has given notice to the Company that the board of directors of ASB has determined that a Dividend, or Dividends generally, should not be paid, or
- (d) Commonwealth Bank has given notice to the Company that the board of directors of Commonwealth Bank has determined that a Dividend, or Dividends generally, should not be paid

4.9 Dividend Resumption Notice

If the board has given a Dividend Cancellation Notice the board may at any time thereafter send notice to Holders to the effect that Dividends should again be paid. If such a notice is given, Dividends shall again be payable as from and including the first Dividend Period commencing after the giving of that notice, unless and until a further Dividend Cancellation Notice is given. If the board has given a Dividend Cancellation Notice following receipt from ASB or Commonwealth Bank of a notice of the nature referred to in Article 4.8(c) or 4.8(d) and the Company receives from the party which gave that notice a notice to the effect that Dividends should again be paid, the board shall give a Dividend Resumption Notice unless the board makes a determination of the nature referred to in Article 4.8(a) or (b)

4 10 Effect of cancellation

If a Dividend Cancellation Notice is given, any obligation of the Company to pay, and any right of Holders to receive, the Dividends referred to in Article 4 7 shall be cancelled absolutely. The preference shares are not cumulative.

4 11 Suspension period

If a Dividend Cancellation Notice is given, then for the period from the date of that Dividend Cancellation Notice until the Company has paid in full Dividends for two consecutive Dividend Periods the Company shall not make any Distribution, other than Dividends.

4 12 Capital

Each Holder shall have the right in a liquidation of the Company to payment, in priority to the holders of other classes of shares of the Company, of the Issue Price of the preference shares held by that Holder and (subject to Article 4 7) Dividends payable on those preference shares at the date of commencement of liquidation calculated on a daily basis from the end of the most recent Dividend Period to the date of commencement of liquidation.

4 13 Voting

Holders shall have no right to receive notice of, attend, or vote at meetings of shareholders of the Company, other than meetings called under Articles 4 25 or 4 26.

4 14 Transfer

A Holder may, subject to Article 4 18, transfer any preference share

- (a) under a system of transfer approved under section 7 of the Securities Transfer Act 1991 which is applicable to the Company,
- (b) under any other share transfer system which operates in relation to the trading of securities on any stock exchange outside New Zealand on which preference shares are quoted and which is applicable to the Company, or
- (c) by an instrument of transfer which complies with this Constitution.

4 15 Systems of Transfer

A preference share which is disposed of in a transaction which complies with the requirements of a system of transfer authorised under Article 4 14(a) or 4 14(b) may be transferred in accordance with the requirements of that system. Where an instrument of transfer executed by a transferor outside New Zealand would have complied with the provisions of the Securities Transfer Act 1991 if it had been executed in New Zealand, it may nevertheless be registered by the Company if it is executed in a manner acceptable to the Company or the Share Registrar.

4 16 Instrument Requirements

An instrument of transfer of preference shares to which the provisions of Article 4 15 are not applicable shall

- (a) be in any common form or any other form approved by the Company or the Share Registrar, and

- (b) be signed or executed by or on behalf of the transferor

4 17 Delivery of instrument

An instrument transferring preference shares must be delivered to the Company or to the Share Registrar, together with such evidence (if any) as the Company or the Share Registrar reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the preference shares

4 18 Refusal to register

Subject to section 84 of the Act (which imposes certain procedural requirements on a board), the board may refuse to register a transfer of any preference share if

- (a) the Company has a lien on the preference share,
- (b) the transferor fails to produce such evidence as the Company or the Share Registrar reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the preference share, or
- (c) registration of the transfer (together with registration of any further transfer or transfers then held by the Company and awaiting registration) would result in less than 5000 preference shares standing in the name of the transferee,

provided that the board resolves to exercise its power under this Article within 30 Business Days after receipt of the relevant transfer and notice of the resolution is sent to the transferor and to the transferee within five Business Days of the resolution being passed by the board

4 19 Transferor to remain Holder until registration

A transferor of a preference share is deemed to remain the Holder of the preference share until the name of the transferee is entered in the register in respect of the share

4 20 Company to retain instruments

If the Company registers an instrument of transfer it shall retain the instrument

4 21 Compulsory Buyout

Subject to Article 4 22, Commonwealth Bank Subsidiary may give notice to all Holders in the manner specified in Article 12 (a "Buyout Notice") requiring Holders to transfer their preference shares to Commonwealth Bank Subsidiary. A Buyout Notice shall take effect, and the Buyout Price shall be paid, on the day specified in the notice, being not less than 90 days, and not more than 120 days, after the date on which the notice is given

4 22 Timing of Buyout Notice

A Buyout Notice may be given only

- (a) five years or more after the Issue Date, or
- (b) at any earlier time, if there has occurred any change in law (including any law relating to taxation) or in the interpretation or application thereof by any Court or governmental agency, or in any directive, regulation, request or requirement of a Regulatory Authority or other governmental agency, which materially adversely

affects the benefits of the preference shares to the Company, ASB, or Commonwealth Bank

4 23 Effect of Buyout Notice

If Commonwealth Bank Subsidiary gives a Buyout Notice then

- (a) each Holder shall be deemed, on the day on which Commonwealth Bank Subsidiary pays to that Holder the Buyout Price, to transfer that Holder's preference shares to Commonwealth Bank Subsidiary, and the Company shall on that day enter the name of Commonwealth Bank Subsidiary on the register as the holder of those preference shares,
- (b) each Holder shall be deemed to have authorised the Company to act on behalf of that Holder in respect of the transfer of that Holder's preference shares to Commonwealth Bank Subsidiary, and to sign any document necessary to effect or record that transfer
- (c) Commonwealth Bank Subsidiary may pay the Buyout Price in the manner specified in Article 10 5 (with the necessary modifications)

4 24 Partial Buyout

Commonwealth Bank Subsidiary may give a Buyout Notice in respect of a specified proportion of the preference shares held by each Holder. If Commonwealth Bank Subsidiary does so, Articles 4 21 to 4 23 shall apply modified so as to refer to that proportion of each Holder's preference shares. Commonwealth Bank Subsidiary may give notice of the nature referred to in this clause on more than one occasion

4 25 Amendment

Subject to Article 4 28, the rights, privileges, limitations and conditions attaching to the preference shares may be amended with the approval of

- (a) the board, and
- (b) an ordinary resolution of the holders of ordinary shares, and
- (c) a special resolution of Holders

A meeting of Holders for the purposes referred to in paragraph (c) may be convened by the board

4 26 Meeting for purposes of Trust Deed

The board may at any time convene a meeting of Holders to consider a resolution proposed to be passed for a purpose referred to in the Trust Deed. The board shall convene such a meeting if the trustee under the Trust Deed so requests

4 27 Conduct of Meetings

A meeting of Holders to consider a resolution of the nature referred to in Article 4 25 or 4 26 shall be convened and held in accordance with the first schedule to the Act. At any such meeting

- (a) where voting is by show of hands or by voice every Holder present in person or by representative has one vote,

- (b) on a poll every Holder present in person or by representative has one vote in respect of each preference share held by that Holder, and
- (c) if the meeting is to consider a resolution of the nature referred to in Article 4 26, and the trustee under the Trust Deed nominates any person as chairperson for the meeting, that person shall chair the meeting

4 28 Restrictions on amendments

No amendment of the nature referred to in Article 4 25 shall be made unless

- (a) ASB has approved that amendment, and
- (b) that amendment will not affect the classification of the preference shares under the rules of any Regulatory Authority

4 29 Deductions

The Company may make from Dividends any deduction or withholding on account of tax or on any other account which the Company is required by law to make

4 30 Supplementary dividend

If the Company at any time

- (a) pays a dividend (as defined in section LE 2(1) of the Tax Act and in section OB 1 of that Act for the purposes of Part LE of that Act) to a Holder who is not resident in New Zealand for tax purposes at that time, and
- (b) the Company attaches an Imputation Credit to such dividend pursuant to section ME 6 of the Tax Act,

then the Company may pay a single supplementary dividend (as defined in section OB 1 of the Tax Act) to that person

10 DIVIDENDS AND RESERVES

10 5 Method of Payment

A dividend payable in cash may be paid in such manner as the board thinks fit to the entitled shareholders or, in the case of joint shareholders, to the shareholder named first in the register, or to such other person and in such manner as the shareholder or joint shareholders may in writing direct. Any one of two or more joint shareholders may give a receipt for any payment in respect of the shares held by them as joint shareholders

12 NOTICES

- (a) A notice may be given to any member or to any other person entitled to notice under this Constitution either by serving it on that person personally or by sending it by post or facsimile transmission to the member's registered address or the address supplied by that other person to the Company for the purpose of notices
- (b) Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying, and posting a letter containing the notice, and to have been effected, in the case of a notice of a meeting, on the day after the date of its posting and, in any other case, at the time at which the letter would be delivered in the ordinary course of post

- (c) Where a notice is sent by facsimile transmission, service of the notice is deemed to be effected by properly addressing the facsimile transmission and the notice is deemed to have been served in the case of a facsimile transmission on the day following its despatch

ASB GROUP (HOLDINGS) LIMITED

ASB CAPITAL LIMITED

PERPETUAL LOAN NOTE AGREEMENT

RUSSELL McVEAGH

PERPETUAL LOAN NOTE AGREEMENT dated 30 October 2002

PARTIES

ASB GROUP (HOLDINGS) LIMITED ("Borrower")

ASB CAPITAL LIMITED ("Lender")

INTRODUCTION

- A The Lender has agreed to make a Loan to the Borrower upon the terms and subject to the conditions contained in this agreement
- B The Loan will be secured by a security given by the Borrower to the Lender over all of the perpetual preference shares held by the Borrower in ASB Bank Limited ("**ASB Bank Preference Shares**") ranking after a security in favour of The New Zealand Guardian Trust Company Limited (the "**Trustee**")

AGREEMENT

1 INTERPRETATION

- 1.1 In this agreement unless the context otherwise requires

"**Advance Date**" means a date notified by the Lender by at least one Business Day's notice to the Borrower

"**Benchmark Rate**" on any day means the rate per annum expressed on a percentage yield basis, and rounded up to the nearest two decimal places, which is

- (a) the average of the bid and offered swap rate displayed at or about 11 am on that day on page FISSWAP (or any successor page) of the Reuters monitor screen for an interest rate swap with a one year term, or
- (b) if a rate is unable to be determined in accordance with paragraph (a), or if the Lender forms the view that the rate so determined is not an accurate reflection of market rates, the average of the mean and bid offered swap rates quoted by three registered banks in New Zealand other than ASB Bank Limited at or about 11 am on that day for an interest rate swap with a one year term

"**Business Day**" means any day other than a Saturday, Sunday, or a statutory public holiday in New Zealand

"**Collateral**" has the meaning in the security referred to in paragraph B of the Introduction

"**Interest Amount**" in respect of an Interest Period means a sum calculated in accordance with the following formula

$$\text{Loan Amount} \times \frac{\text{Interest Rate}}{4}$$

where

Interest Rate is

- (a) in respect of each Interest Period commencing after 15 November 2003, the Benchmark Rate on the Relevant Reset Date plus the Margin (adjusted to an equivalent quarterly rate),
- (b) in respect of each Interest Period ending on or before 15 November 2003, the greater of
 - (i) the Benchmark Rate on the Rate Set Date plus the Margin (adjusted to an equivalent quarterly rate), or
 - (ii) 7 4% per annum

provided that the Interest Amount in respect of the first Interest Period shall be an amount calculated in accordance with the following formula

$$X \times \frac{Y}{91\ 25}$$

where

X is an amount calculated in accordance with the first formula set out in this definition

Y is the period from and including the Advance Date to but excluding 15 February 2003

"Interest Payment Date" means 15 November, 15 February, 15 May and 15 August in each year

"Interest Period" means each period commencing on and including an Interest Payment Date and ending on but excluding the next Interest Payment Date, or, in respect of the first Interest Period, the period from and including the Advance Date to but excluding 15 February 2003

"Loan" means the loan recorded in this agreement

"Loan Amount" means the amount (as certified by the Lender) received by the Lender from the Offer

"Margin" means 1 3% per annum

"Offer" means an offer of perpetual preference shares to the public by the Lender

"Rate Set Date" means a date specified by the Lender, being the Business Day following the closing date of the Offer

"Reset Date" means 15 November 2003 and each 15 November thereafter

"Relevant Reset Date" means in respect of an Interest Period, if that Interest Period begins on a Reset Date, that Reset Date, and if that Interest Period does not begin on a Reset Date, the Reset Date immediately preceding that Interest Period

Whenever in this agreement there is a reference to a date, and that date is not a Business Day, the reference shall be deemed to be to the next day which is a Business Day

2. LOAN

- 2 1 The Lender shall on the Advance Date lend to the Borrower the Loan Amount

3 INTEREST

- 3 1 The Borrower shall pay to the Lender, as interest on the Loan, the Interest Amount in respect of each Interest Period
- 3 2 The Interest Amount in respect of an Interest Period shall be paid to the Lender on the last day of that Interest Period

4 REPAYMENT OF LOAN

- 4 1 The Borrower shall repay the Loan if
- (a) the process of liquidation provided for in Part XVI of the Companies Act 1993 is commenced in respect of the Borrower, or
 - (b) the Borrower becomes subject to statutory management under the Corporations (Investigation and Management) Act 1989 or the Reserve Bank of New Zealand Act 1989.
- 4 2 If the Borrower receives any amount in respect of the ASB Bank Preference Shares other than dividends, the Borrower shall either
- (a) if the Trustee so requires, pay that amount to the Trustee, or
 - (b) if the Trustee does not so require, pay that amount to the Lender in reduction of the Loan

5 LIMITED RECOURSE

- 5 1 Notwithstanding anything to the contrary in this agreement, the following provisions apply
- (a) the Borrower remains liable in contract to meet the obligations assumed by the Borrower under this agreement but the rights of the Lender to enforce those obligations shall be limited in the manner provided in the following paragraphs,
 - (b) the Lender shall not be entitled to enforce payment, repayment or recovery of any moneys owing to the Lender under this agreement against the Borrower personally or against any assets or property of the Borrower other than the Collateral,
 - (c) the Lender shall not, in relation to any obligation of the Borrower under this agreement, obtain any judgment or seek or attempt to obtain any judgment for payment by the Borrower of any money in relation to any breach of this agreement,
 - (d) the Lender's rights of recovery against the Borrower shall be limited to the Collateral,

provided that nothing in this limited recourse provision prevents the Lender from

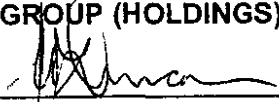
- (i) exercising the Lender's rights under this agreement insofar as they enable the Lender to exercise the Lender's security rights in respect of the Collateral,
- (ii) seeking or obtaining an injunction or restraining order to restrain any breach of this agreement or any security, or obtaining any declaratory relief

6 JURISDICTION

- 6.1 This agreement will be governed by and construed in accordance with the laws of New Zealand and the parties submit to the non-exclusive jurisdiction of the New Zealand Courts

SIGNATURES

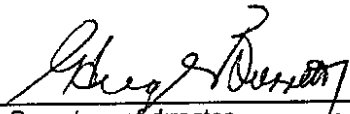
ASB GROUP (HOLDINGS) LIMITED by



Signature of director

John William Duncan

Name of director



Signature of director

Graham Hugh Burnett

Name of director


ASB CAPITAL LIMITED by



Signature of director

Peter Sidney Hall

Name of director



Signature of director

John William Duncan

Name of director

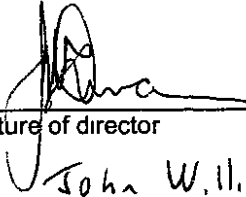
SPECIFIC SECURITY AGREEMENT - INVESTMENT SECURITIES

AGREEMENT dated 30 October 2002 given by ASB Group (Holdings) Limited ("**Debtor**") in favour of ASB Capital Limited ("**Secured Party**")

OPERATIVE PROVISIONS

- A **Description of Relevant Agreement** "**Relevant Agreement**" means the loan agreement dated 30 October 2002 between the Debtor and the Secured Party, as modified, novated, supplemented, varied or replaced from time to time
- B **Charging clause** As security for
- (a) the payment or delivery of all amounts of any nature which the Debtor is, or may at any time become, liable (whether actually or contingently) to pay or deliver to the Secured Party under, pursuant to, or arising out of, the Relevant Agreement or this agreement ("**Secured Money**"), and
 - (b) the performance by the Debtor of all the Debtor's other obligations to the Secured Party at any time under the Relevant Agreement and this agreement,
- the Debtor grants to the Secured Party a security interest in
- (c) all of the perpetual preference shares held by the Debtor in ASB Bank Limited ("**Securities**"),
 - (d) all
 - (i) distributions (as that term is defined in section 2 of the Companies Act 1993), and
 - (ii) all other rights, money or investment securities of any nature, ("**Rights**") attributable to, or arising from, any Securities,
 - (e) all proceeds of any Securities or Rights,
 - (f) all documents of title relating to any Securities or Rights,
- and all of the Debtor's present and future rights in relation to those Securities, Rights, proceeds and documents of title, ("**Collateral**") So far as it concerns each security interest over or in respect of any present or future account receivable and present and future rights in relation to any account receivable, the security interest granted shall take effect as a transfer (as "**transfer**" is used in the context of and for the purposes of the PPSA)
- C **Restriction on dealings with Collateral** Other than a security interest in favour of The New Zealand Guardian Trust Company Limited, The Debtor shall not dispose of, or permit the disposal of, or permit any other security interest to attach to, any Collateral
- D **Other fundamental provisions** The Debtor acknowledges and agrees that the provisions set out in the Schedule of Terms attached are incorporated into this agreement
-

ASB GROUP (HOLDINGS) LIMITED by



Signature of director

John William Duncan

Name of director



Signature of director

Graham Hugh Burrett

Name of director

ALL OBLIGATIONS SPECIFIC SECURITY AGREEMENT

SCHEDULE OF TERMS

1. INTERPRETATION

1.1 Definitions In this agreement

"ASB Bank" means ASB Bank Limited

"Collateral" has the meaning given to that term in the Operative Provisions, and a reference to Collateral includes any part of it

"Companies Act" means the Companies Act 1993

"Default" means any failure by Debtor to pay to the Secured Party any sum payable under the Relevant Agreement, which is not remedied within 5 business days after receipt by the Debtor of notice from the Secured Party specifying the failure and requiring remedy

"law" includes common or customary law and any constitution, decree, judgment, legislation, order, ordinance, regulation, by-law, statute, treaty or other legislative measure

"person" includes an individual, firm, company, corporation, unincorporated body of persons, organisation or trust, and any governmental agency or authority, in each case whether or not having separate legal personality

"PPSA" means the Personal Property Securities Act 1999

"Receiver" means a receiver, or receiver and manager, appointed under this agreement

"Relevant Agreement" means an agreement or arrangement between the Debtor and the Secured Party (whether or not other persons are parties to it) relating to any Secured Money

"Rights" has the meaning given to that term in the Operative Provisions, and "Right" means any of them

"Secured Money" has the meaning given to that term in the Operative Provisions, and a reference to Secured Money includes any part of it

"Securities" has the meaning given to that term in the Operative Provisions, and "Security" means any of them

"security" includes a guarantee or indemnity, a security interest, any interest in land of a security nature, a lien or a pledge

"Security Trust Deed" means the security trust deed amongst the Debtor, the Secured Party and The New Zealand Guardian Trust Company Limited, pursuant to which the Debtor grants first ranking security over the Collateral in favour of The New Zealand Guardian Trust Company Limited

"tax" includes any present or future tax, levy, impost, duty, rate, deduction or withholding of any nature and whatever called, imposed or levied by any governmental agency or authority, together with any interest, penalty, charge, fee or other amount imposed or made on, or in relation to, any of the foregoing

"Transfer" means, in relation to any Securities or Rights, a transfer thereof duly signed by the Debtor with the name of the transferee, date and consideration left blank, but otherwise, if appropriate, in proper form for registration by the relevant Issuer

1.2 PPSA references In this agreement, the expressions "account receivable", "attach", "document of title", "investment security", "proceeds", "purchase money security interest", "security interest" and "value" have,

if and where used, the respective meanings given to them under, or in the context of, the PPSA

1.3 Miscellaneous Unless the context otherwise requires

(a) the singular includes the plural and vice versa, one gender includes other genders, and the expression "at any time" also means "from time to time",

(b) references to a "person" include that person's successors, permitted assigns, executors and administrators (as applicable), and

(c) references to any legislation include statutory regulations, rules, orders or instruments made pursuant to that legislation and any amendments, re-enactments, or replacements

2. PAYMENT

2.1 The Debtor shall pay to the Secured Party the Secured Money at the times, and in the manner, provided for in the Relevant Agreement.

3. OBLIGATIONS OF THE DEBTOR

3.1 Positive obligations The Debtor shall

(a) comply with all laws and all governmental requirements and orders such that neither the Collateral nor the security interest under this agreement are adversely affected,

(b) promptly notify the Secured Party of any matter adversely affecting a material part of the Collateral, and

(c) promptly deposit with the Secured Party if required by the Secured Party, a Transfer (or such number of separate Transfers as the Secured Party may require) in respect of the Securities and any Rights, and

(d) do all other things which the Secured Party requires to enable the Secured Party to

(i) ensure that the Collateral is subject to an effective security interest having the priority required by the Secured Party (including, but not limited to, providing serial numbers and other details of any Collateral, and delivering any Collateral to the Secured Party where possession of that Collateral by a third party may have the result that the interest of that third party in that Collateral would take priority over the interest of the Secured Party), and/or

(ii) assist the Secured Party in exercising any of the Secured Party's rights or powers under this agreement, whether on enforcement of the security interest (including, but not limited to, the sale of any of the Collateral) or otherwise, including, but not limited to, exercising all rights of inspection, requesting all information and taking all necessary copies, which the Debtor is entitled to

exercise, request or take and, for the purposes of section 216 of the Companies Act, the Debtor hereby authorises the Secured Party to inspect those records of each Issuer which the Debtor is entitled to inspect by virtue of that Act,

- (e) comply in all respects with the provisions of the Security Trust Deed

3.2 Negative obligations The Debtor shall not

- (a) change the Debtor's name without first notifying the Secured Party of the new name not less than 21 days before the change takes effect,
- (b) do, or omit to do, or allow to be done or omitted to be done, anything which could adversely affect any Collateral or the security interest under this agreement

4 RIGHTS OF THE SECURED PARTY

4.1 Rights The Secured Party may

- (a) do all things as the Secured Party thinks desirable to remedy any default by the Debtor or otherwise protect the Collateral or the security interest under this agreement,
- (b) notify ASB Bank of the security interest under this agreement,
- (c) after a Default has occurred
- (i) cause itself to be registered as the holder of any Securities, or as the person entitled to any Rights, in order to hold those Securities or Rights as the secured party under this agreement,
 - (ii) complete and present any Transfer to the relevant Issuer for registration, and
 - (iii) complete in favour of any person (including the Secured Party itself) who is purchasing the Securities under the powers given to the Secured Party by this agreement or by law, any Transfer or any other document signed by or on behalf of the Debtor, and
- (d) retain and hold all documents of title and Transfers deposited with the Secured Party in accordance with this agreement until the Secured Party delivers to the Debtor a final release of this agreement

- 4.2 **No prejudice** The Secured Party's rights under this agreement are without prejudice, and in addition, to any other right to which the Secured Party is at any time entitled (whether under this agreement or by law, contract or otherwise), and may be exercised by the Secured Party without prior notice to the Debtor or any other person

5 REPRESENTATIONS AND WARRANTIES

- 5.1 The Debtor represents and warrants (at the date of this agreement, and on the first day of each month by reference to the facts and circumstances existing on that day) that

- (a) (if the Debtor is other than a natural person) the Debtor has the power, and has taken all necessary action to authorise the Debtor, to enter into, and comply with its obligations under, this agreement, and
- (b) this agreement constitutes legal, valid and binding obligations of the Debtor

6 DEFAULT

- 6.1 **Powers on enforcement** At any time after a Default occurs, the Secured Party may

- (a) declare the Secured Money to be due and payable, whereupon it shall become immediately due and payable,
- (b) (whether or not a Receiver has been appointed) exercise any of the powers of a Receiver, or which a person would have if appointed as a Receiver under this agreement, and
- (c) pay any expenses incurred in the exercise of any of such powers out of the revenue from, or proceeds of realisation of, the Collateral

7 RECEIVER

- 7.1 **Appointment of Receiver** The Secured Party may (whether or not the Secured Party has exercised any other power)

- (a) at any time after a Default occurs, or
- (b) if the Debtor requests,

appoint any person or persons to be a Receiver of all or any of the Collateral. The Secured Party may remove any Receiver and may appoint a new Receiver in place of any Receiver who has been removed, retired or died

- 7.2 **Powers of Receiver** In addition to, and without limiting or affecting, any other powers and authorities conferred on a Receiver (whether under the Receiverships Act 1993 or at law or otherwise), a Receiver has the power to do all things in relation to the Collateral and the Debtor's business as if the Receiver had absolute ownership of the Collateral and carried on the Debtor's business for the Receiver's own benefit

8 PROTECTION OF SECURED PARTY, RECEIVER AND OTHER PERSONS

- 8.1 **Accountability** If the Secured Party or a Receiver sells any Collateral (whether pursuant to this agreement or otherwise), the Secured Party or Receiver shall be accountable only for any purchase money which that person actually receives

- 8.2 **No liability** The Secured Party or a Receiver shall not be liable to account, or for any loss, as mortgagee in possession and may at any time give up possession of any Collateral. Neither the Secured Party nor a Receiver shall be liable for any losses which may occur in, or as a result of, the exercise, purported exercise or non-exercise of any of their rights, powers or remedies

- 8.3 **Indemnity** The Secured Party and a Receiver shall each be indemnified out of revenue from, or proceeds of sale of, the Collateral against losses, expenses and liabilities resulting from the exercise of any rights or powers (including, but not limited to, losses, expenses and liabilities resulting from a mistake or error of judgment)

- 8.4 **Protection of persons dealing with the Secured Party or Receiver** No person dealing with the Secured Party or any Receiver, or with any person acting on behalf of any of them, shall

- (a) enquire whether any power which the Secured Party, Receiver, or person acting on their behalf, as the case may be, is purporting to exercise have become exercisable (whether by a Default occurring, the proper appointment of a Receiver, or otherwise), or otherwise as to any matter in connection with the exercise of any such power, or
- (b) see to the application of any amount paid to the Secured Party, Receiver, or person acting on their behalf, as the case may be

9. INDEMNITY

9 1 The Debtor shall indemnify the Secured Party and any Receiver

- (a) for all costs, losses and other liabilities incurred or sustained by the Secured Party or the Receiver in relation to this agreement and in exercising any right or recovering any Secured Money, and
- (b) against any claim by any person relating to the Collateral, or the exercise by the Secured Party or the Receiver of any right or power under this agreement

10. ATTORNEY

10 1 The Debtor irrevocably appoints the Secured Party, every officer of the Secured Party and every Receiver, individually, to be the Debtor's attorney ("Attorney") with full power to

- (a) (at the Debtor's expense) do anything which the Debtor agrees to do under this agreement and anything which, in the Attorney's opinion, is desirable to protect the Secured Party's interests under this agreement (even if the Attorney has a conflict of duty in doing so, or has a direct or personal interest in the means or result of the exercise of any of the Attorney's powers), and
- (b) delegate the Attorney's powers to any person for any period and to revoke a delegation,

and the Debtor ratifies anything done by the Attorney or any delegate in accordance with this clause

11. NOTICES

11 1 Each notice to be given by either party to this agreement to the other may be given in accordance with sections 185 to 189 of the PPSA

12. COSTS

12 1 **Costs** The Debtor shall pay all the Secured Party's costs, losses and other liabilities (including legal expenses on a full indemnity basis) incurred or sustained by the Secured Party in connection with

- (a) the negotiation, preparation, signing, administration and release of this agreement,
- (b) the exercise, enforcement or preservation, or attempted exercise, enforcement or preservation, of any right under this agreement, or in suing for or recovering any Secured Money, and
- (c) the granting of any waiver or consent under, or the giving of any variation or release of, this agreement,

and without limiting any of the above the Secured Party may charge the Debtor fees and/or costs for compliance with a demand given under section 162 of the PPSA, whether any such demand is given by the Debtor or any other person

12 2 **Stamp duty and taxes** The Debtor shall pay all stamp, documentary, transaction, registration and similar taxes (if any), which may be payable in connection with the signing, delivery, registration, performance, exercise of any right under, or enforcement or variation of, this agreement

13. RELEASE, REINSTATEMENT AND DEBTOR'S REDEMPTION

13 1 **Release** The Secured Party shall not be obliged to sign a release of this agreement, or to release any Collateral from this agreement, unless the Secured Party is satisfied that

- (a) the Secured Party has received all of the Secured Money, and
- (b) no payment received, or to be received, by the Secured Party may be avoided, or required to be repaid by the Secured Party, whether under any law relating to insolvency or otherwise

13 2 **Reinstatement** If any payment received or recovered by the Secured Party, a Receiver, or any other person on behalf of the Secured Party is or may be avoided, whether by law or otherwise, then (notwithstanding that the Secured Party may have signed a release pursuant to clause 13 1)

- (a) such payment shall be deemed not to have affected or discharged the liability of the Debtor under this agreement or any other security given by the Debtor in favour of the Secured Party and the Secured Party and the Debtor shall, to the maximum extent permitted by law, be restored to the position in which each would have been if such payment had not been received or recovered, and
- (b) the Secured Party shall be entitled to exercise all rights which the Secured Party would have been entitled to exercise if such payment had not been received or recovered

13 3 **Redemption** At any time after a Default, but before the Secured Party sells any Collateral, or is deemed to have taken any Collateral in satisfaction of the Debtor's obligations, the Debtor may (unless the Debtor has otherwise agreed in writing after the Default) redeem the Collateral by tendering to the Secured Party, in cleared funds, an amount certified by the Secured Party as being equal to all the Secured Money as at the date such amount is tendered

14. PPSA RIGHTS

14 1 **No consent or subordination** Nothing in this agreement shall be construed as

- (a) an agreement to subordinate the security interest under this agreement in favour of any person, or
- (b) a consent by the Secured Party to any other security interest attaching to, or any other security subsisting over, any Collateral

14 2 **Verification statement** The Debtor waives the right to receive a copy of the verification statement confirming registration of a financing statement or financing change statement relating to the security interest under this agreement

14 3 **Contracting out of PPSA rights** The Debtor

- (a) agrees that if, at any relevant time, the Secured Party does not at that time have priority over all other secured parties in respect of any Collateral, then the Debtor and the Secured Party will, for purposes of section 109(1) of the PPSA, be deemed, in accordance with the entitlement to do so under section 107(1) of the PPSA, to have contracted out of that section but specifically on the basis that, as between them and for purposes of this agreement and the operation and application of the PPSA, that section 109(1) (but amended only by the deletion of the words "with priority over all other secured parties") is reinstated and contracted back into,
- (b) agrees that nothing in sections 114(1)(a), 133 and 134 of the PPSA shall apply to this agreement, or the security under this agreement, and
- (c) waives the Debtor's right to do any of the following

- (i) object to the Secured Party's proposal to retain any Collateral under section 121 of the PPSA,
- (ii) (without affecting clause 19.3) redeem any Collateral under section 132 of the PPSA

15 MISCELLANEOUS

- 15.1 Other securities** This agreement is collateral to each other security (whenever executed or given) which is at any time held by the Secured Party in respect of any Secured Money, and nothing in this agreement shall prejudice any other security at any time held by the Secured Party. The Secured Party may exercise any of the Secured Party's rights under this agreement and any such other security separately or concurrently.
- 15.2 Obligations independent** Each of the obligations of the Debtor under clauses 8.3 and sections 9 and 12 shall constitute a continuing obligation, separate and independent from the Debtor's other obligations under this agreement and shall survive payment of the Secured Money and release of this agreement. It shall not be necessary for the Secured Party to incur any expense or make any payment before enforcing any of the Secured Party's rights in respect of any obligation of the Debtor under this agreement.
- 15.3 No waiver** No delay in acting, or failure to act, by the Secured Party is a waiver of any of the Secured Party's rights, and the Secured Party shall not be liable to any person for any such delay or failure.
- 15.4 No merger or marshalling** The Secured Party's right to payment of any Secured Money (including under any negotiable instrument or other agreement) shall not merge in the Debtor's obligation to pay that Secured Money under this agreement. The Secured Party has no duty to marshal in favour of the Debtor or any other person.
- 15.5 Partial invalidity** An invalid provision of this agreement shall not affect the enforceability of the remaining provisions of this agreement.
- 15.6 Certificates** A certificate of the Secured Party as to any amount or fact which might reasonably be expected to be within the Secured Party's knowledge shall be prima facie evidence of that amount or fact.
- 15.7 Governing law** New Zealand law governs this agreement, and the parties submit to the non-exclusive jurisdiction of the courts of New Zealand.



CERTIFICATE OF REGISTRATION OF PROSPECTUS

(Under Section 42(5) of the Securities Act 1978)

ASB CAPITAL LIMITED

AK.1242031

This is to certify that a copy of a Prospectus dated the 30th day of October 2002 and delivered for registration by/on behalf of the abovenamed issuer relating to an issue of Shares was registered on the 30th day of October 2002

Sarah Steele
Assistant Registrar of Companies
Dated this 1st day of November 2002

