



Media Release
3 November 2016

ASB BANK ANNOUNCES INTEREST RATE FOR ASB SUBORDINATED NOTES 2

ASB Bank Limited ("**ASB**") today announced that it has successfully closed the bookbuild for its offer ("**Offer**") of subordinated unsecured convertible notes ("**ASB Notes 2**"). The Offer size has been set at NZ\$375 million.

The Offer opens on 3 November 2016 and is expected to close on 25 November 2016.

The initial interest rate for the ASB Notes 2 will be 5.25% per annum, which reflects a margin of 2.80% per annum over the New Zealand dollar 5 year swap rate. The interest rate will be reset on 15 December 2021 for a further five years as a fixed interest rate equal to the sum of the margin and the New Zealand dollar 5 year swap rate on that date.

Interest is scheduled to be paid quarterly in arrear and is subject to ASB satisfying the solvency condition. Any interest that is not paid because ASB has not satisfied the solvency condition will also earn interest.

ASB Notes 2 will have a term of approximately 10 years but may be repaid earlier in certain circumstances. ASB Notes 2 will be converted into ordinary shares in Commonwealth Bank of Australia ABN 48 123 123 124 ("**CBA**") or written off if a non-viability trigger event occurs. A non-viability trigger event can occur if (among other things) ASB or CBA experience severe financial difficulty. CBA does not guarantee ASB or ASB Notes 2.

ASB will pay early bird interest at 3.00% per annum (less any applicable withholding taxes) on application monies for applications that are accepted, unless those application monies are returned for any reason.

The scheduled issue date for the ASB Notes 2 is 30 November 2016 and are expected to be quoted on the NZX Debt Market.

The full details of the Offer are contained in a Product Disclosure Statement ("**PDS**") dated 25 October 2016 and may be viewed at www.asb.co.nz/subordinated-notes2. There are restrictions on offering, issuing or selling the Notes outside New Zealand, as set out in the PDS. No action has been taken to permit a public offer of ASB Notes 2 in any place other than New Zealand.

Interested investors should contact a Joint Lead Manager (details below) or their financial adviser. Investors will only be able to obtain an allocation via the Joint Lead Managers or other NZX participants. There is no public pool.

This investment is riskier than a bank deposit. ASB Notes 2 are complex financial products that are not suitable for many investors. You should read the product disclosure statement for the ASB Notes 2 in full. If you do not fully understand how they work or the risks associated with them, you should not invest in them. You can seek advice from a financial adviser to help you make an investment decision.

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Joint Arrangers & Joint Lead Managers

Commonwealth Bank of Australia
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Forsyth Barr
Tel: 0800 367 227

Joint Lead Managers

BNZ
Tel: 0800 284 017

Deutsche Craigs
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Investments in ASB Notes 2 are an investment in ASB and may be affected by the ongoing performance, financial position and solvency of ASB. ASB Notes 2 may also be affected by the ongoing performance, financial position and solvency of CBA. They are not deposit liabilities or protected accounts of CBA for the purposes of the Banking Act 1959 (Cth).

NZX accepts no responsibility for any statement in this announcement. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the Financial Markets Conduct Act 2013.

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