

## PROGRAMME CIRCULAR



### ASB Finance Limited

Incorporated in New Zealand with limited liability  
Unconditionally and irrevocably guaranteed by

### ASB Bank Limited

Incorporated in New Zealand with limited liability

**U.S.\$70,000,000,000\***

### Euro Medium Term Note Programme

*\*Combined programme limit for the Euro Medium Term Note Programme of ASB Finance Limited and Commonwealth Bank of Australia. This Programme Circular relates to Notes to be issued under such programme by ASB Finance Limited only.*

ASB Finance Limited (the “Issuer” or “ASB Finance”) may from time to time issue Euro Medium Term Notes (the “Notes”) in any form contemplated in “Conditions of the Notes” herein and as described in “Overview of the Programme” herein. The payment of all amounts payable in respect of the Notes will be unconditionally and irrevocably guaranteed by ASB Bank Limited (“ASB” or the “Guarantor”).

The Notes will be issued from time to time to one or more of the Dealers specified on page 7 (each a “Dealer” and together the “Dealers”, which expression shall include any additional Dealers appointed under the Programme (as defined below) from time to time). References in this Programme Circular to the “relevant Dealer” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

**An investment in Notes issued under the Programme involves certain risks.** For a discussion of these risks see “Risk Factors”.

The Issuer has been rated AA- by Standard & Poor’s (Australia) Pty Ltd. (“S&P”) and Aa3 by Moody’s Investor Service Pty Ltd. (“Moody’s”). The Guarantor has been rated AA- by S&P, Aa3 by Moody’s and AA- by Fitch Australia Pty Ltd (“Fitch”). The Issuer’s component of the Programme has also been rated AA- by Fitch. None of S&P, Moody’s or Fitch is established in the European Union or registered in accordance with Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”). However, Commission Implementing Decision 2012/627/EU provides that the Australian legal and supervisory framework for credit rating agencies shall be considered as equivalent to the requirements of the CRA Regulation and each of Standard & Poor’s Credit Market Services Europe Limited, Moody’s Investors Service Ltd. and Fitch Ratings Ltd. which are established in the European Union and registered under the CRA Regulation (and, as such are included in the list of credit rating agencies published by the European Securities and Markets Authority (“ESMA”) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with such Regulation) currently endorse the credit ratings of S&P, Moody’s and Fitch, respectively, for regulatory purposes in the European Union. There can be no assurance that such endorsement of the credit ratings of S&P, Moody’s and Fitch will continue.

Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Issuer or the Guarantor by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Application has been made to the Financial Conduct Authority acting in its capacity as the competent authority (the “UK Listing Authority”) for Notes to be issued during the period of 12 months from the date of this Programme Circular under this U.S.\$70,000,000,000 Euro Medium Term Note Programme (the “Programme”) to be admitted to the official list of the UK Listing Authority (the “Official List”) and to the London Stock Exchange plc (the “London Stock Exchange”) for such Notes to be admitted to trading on the London Stock Exchange’s regulated market. References in this Programme Circular to Notes being “listed” (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange’s regulated market and have been admitted to the Official List. The London Stock Exchange’s regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes, and certain other information which is applicable to each Tranche (as defined under “Conditions of the Notes”) of Notes will be set out in a final terms document (the “Final Terms”) which will be delivered to the UK Listing Authority and, where listed, the London Stock Exchange. Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service.

This document is issued in replacement of a Programme Circular dated 24 June 2014 and accordingly supersedes that earlier Programme Circular. This does not affect any Notes issued under the Programme prior to the date of this Programme Circular.

Arranged by:

#### UBS Investment Bank

Dealers:

Barclays  
BofA Merrill Lynch  
Commonwealth Bank of Australia  
Daiwa Capital Markets Europe  
Goldman Sachs International  
J.P. Morgan  
Nomura  
UBS Investment Bank

BNP PARIBAS  
Citigroup  
Credit Suisse  
Deutsche Bank  
HSBC  
Morgan Stanley  
The Royal Bank of Scotland

Dated 24 June 2015

## IMPORTANT INFORMATION

This Programme Circular comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area). Although Commonwealth Bank of Australia (“CBA”) is also an issuer under the Programme, it is not an issuer under this Programme Circular. This Programme Circular comprises a base prospectus for ASB Finance Limited only.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Programme Circular and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer and the Guarantor (which have each taken all reasonable care to ensure that such is the case) the information contained in this Programme Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Programme Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Programme Circular shall be read and construed on the basis that such documents are so incorporated and form part of this Programme Circular.

The Dealers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained in this Programme Circular or any further information supplied by the Issuer or the Guarantor in connection with the Notes.

No person has been authorised to give any information or to make any representation not contained in this Programme Circular or any further information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers.

Neither this Programme Circular nor any further information supplied in connection with the Programme or any Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Guarantor or any of the Dealers that any recipient of this Programme Circular or any further information supplied in connection with the Programme or the Notes should purchase any Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor. Neither this Programme Circular nor any further information supplied in connection with the Programme or the Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor or any of the Dealers to any person to subscribe for or to purchase any Notes.

The delivery of this Programme Circular does not at any time imply that the information contained herein concerning the Issuer or the Guarantor is correct at any time subsequent to the date hereof or that any further information supplied in connection with the Programme or the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial or other condition or affairs of the Issuer or the Guarantor or any of their respective subsidiaries during the life of the Programme. Investors should review, *inter alia*, the most recent financial statements of the Issuer and the Guarantor when deciding whether or not to purchase any Notes.

The distribution of this Programme Circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Programme Circular or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Programme Circular and the offer or sale of the Notes in the United States of America, the European Economic Area (including the United Kingdom and

Luxembourg), Japan, Australia, New Zealand, Hong Kong, the People's Republic of China, Singapore and Taiwan (see "*Subscription and Sale*").

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended ("the Securities Act") and the Notes include Notes in bearer form that are subject to U.S. federal tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Programme Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## **PRESENTATION OF INFORMATION**

In this Programme Circular, all references to:

- "U.S. dollars", "USD" and "U.S.\$" are to United States dollars;
- "JPY", "Yen" and "¥" are to Japanese yen;
- "Sterling", "GBP" and "£" are to pounds sterling;
- "AUD" and "A\$" are to Australian dollars;
- "NZD" and "NZ\$" are to New Zealand dollars;
- "Renminbi", "RMB" and "CNY" are to the lawful currency of People's Republic of China (the "PRC") which for purposes of this Programme Circular excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan; and
- "euro", "EUR" and "€" refer to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended.

## STABILISATION

**In connection with the issue of any Tranche of Notes, one or more relevant Dealers (the “Stabilisation Manager(s)”) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

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## Overview of the Programme

The following overview does not purport to be complete and is not a summary for the purposes of the Prospectus Directive. The following overview is qualified in its entirety by the remainder of this Programme Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive (the **Prospectus Regulation**).

Words and expressions defined in “*Form of the Notes*” and “*Conditions of the Notes*” and not otherwise defined shall have the same meanings in this Overview.

**Issuer:** ASB Finance Limited

**Guarantor:** ASB Bank Limited

**Description:** Euro Medium Term Note Programme

**Arranger:** UBS Limited

**Dealers:** Barclays Bank PLC  
BNP Paribas  
Citigroup Global Markets Limited  
Commonwealth Bank of Australia  
Credit Suisse Securities (Europe) Limited  
Daiwa Capital Markets Europe Limited  
Deutsche Bank AG, London Branch  
Goldman Sachs International  
HSBC Bank plc  
J.P. Morgan Securities plc  
Merrill Lynch International  
Morgan Stanley & Co. International plc  
Nomura International plc  
The Royal Bank of Scotland plc  
UBS Limited

and any other Dealers appointed in accordance with the Programme Agreement.

**Certain restrictions:** Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time including the following restrictions applicable at the date of this Programme Circular.

*Notes having a maturity of less than one year*

Notes having maturity of less than one year from the date of issue will be issued (i) to a limited class of professional investors and will have a denomination of at least £100,000 (or an amount of equivalent value denominated wholly or partly in a currency other than sterling) and no part thereof will be transferable unless the redemption value of that part is not less than £100,000 (or such an equivalent amount) or (ii) in any other circumstances which do not violate section 19 of the Financial Services and Markets Act 2000.

**Issuing and Principal** Deutsche Bank AG, London Branch

<b>Paying Agent:</b>	
<b>Registrar:</b>	Deutsche Bank Luxembourg S.A.
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	U.S. dollars, euro, Yen, Sterling, Australian dollars, New Zealand dollars, Hong Kong dollars, Renminbi, Swiss Francs and such other currencies as may be agreed with the relevant Dealer.
<b>Maturities:</b>	Subject to any applicable laws and regulations, any original maturity.
<b>Issue Price:</b>	Notes may be issued at par or at a discount to, or premium over, par.
<b>Form of Notes:</b>	The Notes will be issued in bearer or registered form as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i> .
<b>Fixed Rate Notes:</b>	Fixed interest will be payable in arrear on such date or dates in each year as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
<b>Floating Rate Notes:</b>	<p>Floating Rate Notes will bear interest at a rate determined on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes, or on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service.</p> <p>The Margin (if any) relating to such floating rate will be specified in the applicable Final Terms.</p>
<b>Other provisions in relation to Floating Rate Notes:</b>	<p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes will be payable on Interest Payment Dates, as agreed at the time of agreement to issue, and (where applicable) will be calculated on the basis of the Day Count Fraction specified in the applicable Final Terms.</p> <p>Details of the interest rate applicable to the then current Floating Interest Period in respect of the Floating Rate Notes of any Series will be available from the Principal Paying Agent.</p>
<b>Zero Coupon Notes</b>	Zero Coupon Notes will be offered and sold at par or at a discount to their nominal amount and will not bear interest.
<b>Redemption:</b>	The applicable Final Terms will indicate either that the Notes of that Tranche cannot be redeemed prior to their stated maturity, other than in specified instalments or for taxation reasons, or that such Notes will be redeemable at the option of the Issuer (in specified amounts if the applicable Final Terms so indicate) and/or at the option of the holder(s) of such Notes on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be indicated in the applicable Final Terms.

## **Risk Factors**

*In purchasing Notes, investors assume the risk that the Issuer and the Guarantor may become insolvent or otherwise be unable to make any payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer and the Guarantor becoming unable to make payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. The Issuer and the Guarantor have identified in this Programme Circular a number of factors which could materially adversely affect their businesses and ability to make payments due under the Notes.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued by the Issuer under the Programme are also described below.*

*Prospective investors should also read the detailed information set out elsewhere in this Programme Circular and reach their own views prior to making any investment decision.*

*Words and expressions defined in "Form of the Notes" and "Conditions of the Notes" and not otherwise defined shall have the same meanings when used herein.*

### **Factors that may affect the Issuer's and the Guarantor's ability to fulfil their obligations under Notes issued under the Programme and the Guarantee**

#### ***Factors affecting the Issuer and the Guarantor***

The Issuer is a funding vehicle for the Guarantor, which is itself a wholly-owned subsidiary of CBA. As such, the Issuer's principal purpose is to raise funds from offshore institutional debt markets to fund the operations of the Guarantor. Notes issued under the Programme by the Issuer are guaranteed by the Guarantor pursuant to the Guarantee. The Issuer is affected by the same risk factors which affect the Guarantor as set out below.

*The Guarantor's and the Issuer's businesses may be adversely affected by economic conditions, disruptions in the global financial markets and associated impacts*

In recent years, global credit and equity markets have been characterised by uncertainty and volatility. More recently, the global backdrop has improved and volatility in global financial markets has receded. The Guarantor believes there is a risk that challenging market conditions may return to global financial markets.

As a diversified financial institution that operates in various financial markets the Guarantor may be adversely impacted, both directly and indirectly, by difficult market conditions.

The Guarantor's and the Issuer's businesses operate in, or depend on the operation of, these markets, including through exposures in securities, loans, derivatives and other activities. In addition, turmoil in the financial markets can flow into the real economy and result in major global economies either slowing substantially or contracting, which could in turn cause increased unemployment, including in New Zealand. These factors could affect the performance of the Guarantor's businesses.

By the nature of its operations, the Guarantor is significantly exposed to the risk of financial contagion and its results of operations could be impacted, perhaps materially, if economic conditions in offshore economies deteriorate to the extent that sovereign or non-sovereign entities default on their debt obligations. Likewise, if the euro destabilises and one or more countries re-introduce country-specific currencies, the Guarantor could suffer disruptions to its operations, including significant currency fluctuations and the inability to properly hedge against such fluctuations.

The Guarantor continues to monitor industry and company specific developments and the state of the global and New Zealand economy.



*A downturn in the New Zealand economy could adversely impact the Guarantor's and the Issuer's results*

As members of a financial group whose core business is banking located in New Zealand, the performance of the Guarantor and the Issuer is dependent on the state of the New Zealand economy, customer and investor confidence and prevailing market conditions in New Zealand.

The Guarantor can give no assurances as to the likely future state of the New Zealand economy, which can be influenced by many factors within and outside New Zealand, outside of the Guarantor's control.

A material downturn in the New Zealand economy could adversely impact future results and could potentially result in further increases in the amount overdue on individual loans. Recessive economic cycles also have a negative influence on liquidity levels, credit defaults of corporations and other borrowers and return on assets. The Guarantor's banking business is affected by market conditions in that there may be less demand for loan products or certain customers may face difficulty in meeting their obligations. In particular, a significant or sustained decrease in the New Zealand housing market or property valuations could adversely affect the Guarantor's home mortgage portfolio.

*The Guarantor and the Issuer may incur losses associated with its counterparty exposures*

Each of the Guarantor and the Issuer faces the possibility that a counterparty may be unable to honour its contractual obligations to them. These parties may default on their obligations to the Guarantor and/or the Issuer, as the case may be, due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example for the Guarantor, from entering into swap or other derivative contracts under which counterparties have obligations to make payments to the Guarantor, or from executing currency or other trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries.

*Adverse financial and credit market conditions may significantly affect the Guarantor's ability to access international debt markets, on which it relies for a substantial amount of its wholesale funding*

In response to changes in regulatory requirements and significant volatility in global debt and equity markets in recent years, the Guarantor has increased its levels of deposit funding, thereby reducing its relative reliance on off-shore wholesale funding; however the Guarantor remains reliant on off-shore wholesale funding markets. In addition, competition for deposits in New Zealand could drive increases in the cost of this funding. If the Guarantor is unable to pass its increased funding costs on to its customers, its net interest margins will contract, which will adversely impact its results of operations and its ability to maintain or grow its current business operations.

Disruptions, uncertainty or volatility in financial markets may limit the Guarantor's access to funding, particularly its ability to issue securities and, of those, most notably longer-dated securities in international markets at a cost that is acceptable to the Guarantor. These market conditions may limit the Guarantor's ability to replace, in a timely manner, maturing liabilities and access the funding necessary to grow its business. As such, the Guarantor may be forced to delay raising funding, issue securities with shorter tenors than it prefers, or pay less attractive interest rates, thereby increasing the Guarantor's interest expense, decreasing its profitability and significantly reducing its financial flexibility. If the Guarantor is unable to source appropriate funding, it may also be forced to reduce its lending or begin to sell liquid securities. Such activities may adversely affect its business.

*Adverse financial market conditions or specific Issuer circumstances may significantly affect the Issuer's ability to access domestic and international capital markets*

Disruptions, uncertainty or volatility in financial markets may limit the Guarantor's ability to access capital markets in a timely manner or at a cost that is acceptable to the Guarantor. There may be circumstances where specific conditions (for example reduced profitability), as opposed to general market conditions (for example a global recession), could also limit the Guarantor's access to capital markets. The Guarantor operates an Internal Capital Adequacy Assessment Process ("ICAAP") to manage its capital levels and to maintain them above Board approved minimum levels (which in turn

are set to exceed minimum regulatory standards). The ICAAP includes forecasting and stress testing of capital levels which guides the Guarantor in selecting any capital management initiatives it may undertake. Should the ICAAP forecasts or stress tests prove to be ineffective, the Guarantor's business may be adversely impacted.

*Adverse financial market conditions or specific Issuer circumstances may significantly affect the Guarantor's ability to maintain adequate levels of liquidity*

The Guarantor's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due, by seeking to ensure it is able to borrow on an unsecured basis, has sufficient assets to borrow against on a secured basis, or has sufficient qualifying liquid assets to sell to raise immediate funds without adversely affecting the Guarantor's net asset value. The Guarantor actively monitors and manages its liquidity and funding profile, however if it is unable to maintain adequate levels of liquid assets (for example should financial markets close for an extended period of time), it could have adverse effects on the Guarantor's operations and financial condition.

*Failure to maintain credit ratings could adversely affect the Guarantor's cost of funds, liquidity, access to debt and capital markets, and competitive position*

A credit rating is an opinion on the general creditworthiness of an obligor. The Guarantor's and the Issuer's credit ratings affect the cost and availability of its funding from debt and other funding sources. Credit ratings also impact the cost and availability of capital. Credit ratings may be an important source of information used by current and potential customers, counterparties, intermediaries and lenders when evaluating the Guarantor's and the Issuer's products and creditworthiness. Investors may also consider the credit rating prior to investing in the Guarantor or the Issuer.

The rating agencies determine the Guarantor's credit rating after an initial assessment of a number of stand-alone factors including its financial strength and outlook, and its key operating environments (such as the New Zealand financial system). The stand-alone assessment is then coupled with an assessed level of parent company and government support and hence also is determined by the credit ratings of CBA and the New Zealand Government. A downgrade in a credit rating could be due to a change in the rating agencies' assessment and rating methodology, or from an adverse change in the Guarantor's financial position and outlook – or in terms of the outlook of the parent company or the sovereign and their ability to provide support in times of stress. The manifestation of any of the Risk Factors highlighted in this section could affect the Guarantor's and the Issuer's financial position and outlook, and could drive a change in their credit ratings.

A downgrade to the Guarantor's or the Issuer's credit ratings – or the ratings of CBA or the New Zealand Government - could adversely affect the Guarantor's cost of funds and related margins, liquidity position, collateral requirements and cost of capital. A downgrade to the Guarantor's credit ratings could also negatively impact its competitive position. The extent and nature of these impacts would depend on various factors, including the extent of any ratings change and the Guarantor's credit rating relative to its peers.

*Failure to hedge effectively against adverse fluctuations in exchange rates could negatively impact the Guarantor's results of operations*

The Guarantor undertakes a significant portion of its wholesale funding in international capital markets in currencies other than the New Zealand dollar, principally the U.S. dollar and the Euro. This exposes the Guarantor to risks associated with exchange rates for the New Zealand dollar, which is the currency in which it prepares its financial statements and the principal currency of the Guarantor's revenue and operating cash flows. The impact of such exchange rate risk cannot be predicted with certainty. The Guarantor attempts to manage its exchange rate risks to minimise any adverse effect on its financial position and performance. However, the level of the Guarantor's hedging may change over time, and the Guarantor may also change its hedging policy at any time. The Guarantor's results of operations may be adversely affected if its hedges are not effective to mitigate exchange rate risks or for balance sheet

purposes, if the Guarantor is inappropriately hedged or if a hedge provider defaults on its obligations under the Guarantor's hedging agreements. There can be no assurance that the Guarantor's exchange rate hedging arrangements or hedging policy will be sufficient or effective.

*The Guarantor is subject to extensive regulation, which could impact its results*

The Guarantor's banking activities are subject to extensive regulation, including but not limited to those relating to capital levels, liquidity levels, solvency, risk management, provisioning, accounting and reporting requirements, taxation, remuneration, consumer protection, competition, anti-bribery and corruption, anti-money laundering and trade sanctions. Its business and earnings are also affected by the fiscal or other policies that are adopted by various regulatory authorities of the New Zealand government.

The requirement to maintain certain levels of Common Equity, Tier One Capital and Total Capital affects the level of the Guarantor's lending activity or, alternatively, may require the issue of additional equity capital or subordinated debt, which are additional sources of its funds. Any change in regulation, including changes that increase the requirements of regulatory capital, for example to address current or potential risks in the housing market, could have an adverse impact on the Guarantor's results of operations or the ability to maintain or grow its current business.

Under the Reserve Bank of New Zealand ("RBNZ") Basel III capital adequacy requirements, New Zealand incorporated banks, including the Guarantor, are required to maintain a Common Equity buffer ratio of more than 2.5 per cent. above the minimum Common Equity ratio or face restrictions on distributions. The RBNZ also has discretion to apply a countercyclical buffer of common equity with an indicative range of between 0 per cent. and 2.5 per cent., although there is no formal upper limit to the buffer.

Under macro-prudential policy which is aimed at limiting the build-up of risk during periods of strong credit growth, the RBNZ can implement macro-prudential tools which include a countercyclical capital buffer, adjustments to the minimum core funding ratio, sectoral capital requirements and temporary restrictions on high loan-to-value ratio residential lending.

At the date of this Programme Circular, the RBNZ liquidity policy ("BS13") requires banks to meet a minimum core-funding ratio of 75 per cent., ensuring that this proportion of bank funding is met through retail deposits, term wholesale funding and capital. The RBNZ considers Basel III liquidity standards to be very similar to the intent of BS13. Future changes to liquidity requirements in New Zealand could adversely affect the Guarantor's financial performance and could result in the incurring of substantial costs in order to comply with such changes.

The RBNZ open bank resolution ("OBR") policy requires participating banks to pre-position their systems to allow liabilities to be frozen following the appointment of a statutory manager, and then for a percentage of some of those liabilities to be made available to customers, and for the failed bank to re-open, the following day. This could result in Noteholders not receiving payments of interest or principal as scheduled. The execution of the OBR policy is one option that would be available to a statutory manager in the event of bank failure in New Zealand. The precise nature and impact of future changes in the OBR policy cannot be predicted.

The Guarantor's financial performance and position could also be affected by other changes in the legal, regulatory, monetary, fiscal or other policies required by various regulatory authorities of the New Zealand government. The precise nature and impact of future changes in such policies cannot be predicted. Changes in regulations or regulatory policy could adversely affect business and could result in the incurring of substantial costs in order to comply with such changes.

Regulation is becoming increasingly extensive and complex. Some areas of potential regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach. Notwithstanding regulators' efforts to coordinate their approach, many measures adopted or proposed differ significantly across the major jurisdictions.

While there can be no assurance that any or all of these regulatory changes will ultimately be adopted, or the final form that any such regulations may ultimately take, any such changes, if enacted or adopted, may impact the profitability of the Guarantor's business activities, require changes to certain business practices, and expose the Guarantor to additional costs. Such additional costs may result from, among other things, holding additional capital and higher levels of liquid assets and undertaking changes to the Guarantor's wholesale funding profile.

*The Guarantor may face operational risks associated with being a complex financial institution and may incur losses as a result of ineffective risk management processes and strategies*

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal, regulatory, fraud, business continuity and technology risks.

The Guarantor is exposed to the risk of loss resulting from human error, the failure of internal or external processes and systems or from external events including the failure of third party vendors or suppliers to provide contracted services. Such operational risks may include theft and fraud, improper business practices, client suitability and servicing risks, product complexity and pricing risk or improper recording, evaluating or accounting for transactions, breach of security and physical protection systems, or breaches of its internal policies and regulations.

As the Guarantor increases its analytical capabilities and the use of models in its decision making, the reliability of the Guarantor's data and models is becoming even more crucial. There is a risk that the Guarantor makes inappropriate decisions due to poor data quality or models that are not fit for purpose, resulting in actual risk exposures being greater than expected by management, leading to unexpected losses and depletion of capital levels.

While the Guarantor employs a range of risk monitoring and risk mitigation techniques as part of the implementation of its operational risk framework, there can be no assurance that the risk management processes and strategies that it has developed in response to current market conditions will adequately anticipate additional market stress or unforeseen circumstances. Therefore the Guarantor may, in the course of its activities, incur losses or reputational harm as a result of operational incidents. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Guarantor will be unable to comply with its obligations as a company with securities admitted to the Official List or that the Guarantor will be unable to comply with its obligations as a registered New Zealand bank regulated by the RBNZ.

*The Guarantor may face technology risks associated with being a complex financial institution and may incur losses as a result of ineffective risk management processes and strategies.*

The Guarantor's businesses are highly dependent on its ability to process and monitor, in many cases on a daily basis, a very large number of transactions, many of which are highly complex, across multiple markets in many currencies. The Guarantor's financial, accounting, data processing or other operating systems and facilities may fail to operate properly or may become disabled as a result of events that are wholly or partially beyond its control.

As with any business operating in the financial services market, the Guarantor utilises complex technology frameworks and systems to deliver its services and manage internal processes.

Some of these technology systems are provided and/or supported by third party suppliers and vendors. Additionally, the Issuer's strategy seeks to establish long term global competitive advantage through leadership in the application of technology.

Disruptions to the technology framework can have a significant impact on the Guarantor's operations. These disruptions can be caused from internal events (e.g. system upgrades) and external events (e.g. failure of vendors' systems or power supplies or technology attacks by third parties).

As part of its technology risk management framework, the Guarantor employs a range of risk monitoring and risk mitigation techniques, however there can be no assurance that the risk

management processes and strategies that the Guarantor has developed in response to current market conditions will adequately anticipate additional market stress or unforeseen circumstances. Therefore the Guarantor may, in the course of its activities, incur losses or reputational harm as a result of technology disruptions.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Guarantor will be unable to comply with its obligations as a company with securities admitted to the Official List or that the Guarantor will be unable to comply with its obligations as a registered New Zealand bank regulated by the RBNZ.

*The Guarantor may face information security risks*

The Guarantor's businesses are highly dependent on its information technology systems. The Guarantor devotes significant effort to protecting the confidentiality, integrity and availability of its computer systems, software and networks, including maintaining the confidentiality of information that may reside on those assets. However, the Guarantor's security measures cannot provide absolute security.

Information security risks for large financial institutions have increased in recent years, in part because of the proliferation of new technologies, the use of internet and telecommunications technology and the increased sophistication and activities of organised criminals and hackers. In addition, to access the Guarantor's products and services, customers may use personal smartphones, personal computers and other computing devices, personal tablet computers and other mobile devices that are beyond the Guarantor's control systems. Although the Guarantor takes protective measures and endeavours to modify them as circumstances warrant, its computer systems, software and networks may be vulnerable to unauthorised access, misuse, denial-of-service attacks, phishing attacks, computer viruses or other malicious code and other events that could have a security impact.

It is possible that the Guarantor (or its third party suppliers) may not be able to anticipate or to implement effective measures to prevent or minimise damage that may be caused by all information security threats, because the techniques used can be highly sophisticated, can evolve rapidly and those that would perpetrate attacks can be well resourced.

Information security threats may also occur as a result of the Guarantor's size and role in the financial services industry, its plans to continue to implement internet banking and mobile banking channel strategies and develop additional remote connectivity solutions, and the threat of cyber terrorism.

An information security failure could have serious consequences for the Guarantor including operational disruption, financial losses, a loss of customer or business opportunities, litigation, regulatory penalties or intervention, reputational damage, theft of intellectual property and customer data, and could result in violations of applicable privacy laws, all of which could have a material impact.

The Guarantor maintains a technology risk management framework which covers information security risk. The Guarantor believes that it, and its third party suppliers and vendors, have and maintain adequate anti-virus and malware software and have control frameworks in place to mitigate these risks, but no assurance can be given that such mitigation steps will be effective.

*The Guarantor may incur losses as a result of the inappropriate conduct of its staff.*

The Guarantor operates in a range of regulated markets both in New Zealand and globally and is highly dependent on the conduct of its employees, contractors and external service providers. The Guarantor and its subsidiaries could, for example, be adversely affected if an employee, contractor or external service provider does not act in accordance with regulations and associated procedures, or engages in inappropriate or fraudulent conduct, including in relation to the management of the Programme. Losses, financial penalties or variations to the operating licenses may be incurred from an unintentional or negligent failure to meet a professional obligation to specific clients, including fiduciary and suitability requirements, or from the nature or design of a product. These may include client, product and business practice risks such as product defects and unsuitability, market

manipulation, insider trading, misleading or deceptive conduct in advertising and inadequate or defective financial advice. While the Guarantor has policies and processes to minimise the risk of human error and employee, contractor or external service provider misconduct, these policies and processes may not always be effective.

*Market risks could adversely impact the Guarantor's results*

Market risk is the potential of loss arising from adverse changes in interest rates, foreign exchange rates, commodity and equity prices, credit spreads, lease residual risk values, and implied volatility levels for all assets and liabilities where options are transacted. For the purposes of market risk management, the Guarantor makes a distinction between traded and non-traded market risks.

The predominant non-traded market risk is interest rate risk in the banking book. The Guarantor also utilises trading books in order to deliver capital market services and risk management solutions to customers across a range of asset classes. At all times activities are required to satisfy compliance and regulatory obligations.

*Liquidity and funding, compliance and strategic risks could adversely impact the Guarantor's results*

The Guarantor is subject to liquidity and funding risks and compliance and strategic risks which could adversely impact its future results. Liquidity risk is the risk of being unable to meet financial obligations as they fall due. Funding risk is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds.

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Issuer may suffer as a result of its failure to comply with the requirements of relevant laws, regulatory bodies, industry standards and codes. Increasing volume, complexity and global reach of such requirements, and the increased propensity for sanctions and the level of financial penalties for breaches of requirements could have an adverse impact on the Guarantor.

Strategic business risk is defined as the risk of economic loss resulting from changes in the business environment caused by the following factors:

- macroeconomic conditions;
- competitive forces;
- technology;
- regulatory; or
- social trends.

Strategic business risk is taken into account as business strategies and objectives are defined. The Board receives reports on business plans, major projects and change initiatives and monitors progress and reviews successes compared to plans.

There is a strategic threat to the Guarantor's market share posed by new non-bank entrants who are unregulated or subject to lower regulatory standards.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Guarantor will be unable to comply with its obligations as a company with securities admitted to the Official List or that the Guarantor will be unable to comply with its obligations as a registered New Zealand bank regulated by the RBNZ.

*The Guarantor faces intense competition, which could adversely impact its results*

The Guarantor faces intense competition in all of its principal areas of operation and geographical markets, principally New Zealand.

If the Guarantor is unable to compete effectively in its various businesses and markets, its market share may decline. Increased competition may also adversely affect its results of operations by diverting business to the Guarantor's competitors or creating pressure to lower margins.

*The Guarantor's business may be adversely affected by acquisitions of businesses*

From time to time the Guarantor evaluates and undertakes acquisitions of businesses. With acquisitions, there is a risk that the Guarantor may suffer a downgrade of its credit ratings, not achieve expected synergies from the acquisition as a result of difficulties in integrating information and other systems, achieve lower than expected cost savings or otherwise incur losses, lose customers and market share, or face disruptions to its operations resulting from integrating the systems and processes of the acquired business into the Guarantor, or the acquisition may have other negative impacts on its results, financial condition or operations. The Guarantor from time to time assesses acquisition opportunities and if it were to undertake other acquisitions these risks may be exacerbated.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Guarantor will be unable to comply with its obligations as a company with securities admitted to the Official List or as a registered bank regulated by the RBNZ.

*Reputational damage could harm the Guarantor's business and prospects*

Various issues may give rise to reputational risk and cause harm to the Guarantor's business and prospects. These issues include appropriately dealing with potential conflicts of interest, legal and regulatory requirements (such as, money laundering, trade sanctions and privacy laws), inadequate sales and trading practices, inappropriate management of conflicts of interest and other ethical issues, technology failures, and non-compliance with internal policies and procedures. Failure to address these issues appropriately could also give rise to additional legal risk, subject the Guarantor to regulatory enforcement actions, fines and penalties, or harm its reputation and integrity among customers, investors and other stakeholders.

*The Guarantor could suffer losses due to catastrophic events*

The Guarantor and its customers operate businesses and hold assets in a diverse range of geographical locations. Any significant environmental change or external catastrophic event (including fire, storm, flood, earthquake, pandemic, civil unrest, war or terrorism) in any of these locations has the potential to disrupt business activities, impact on the Guarantor's operations, damage property and otherwise affect the value of assets held in the affected locations and the Guarantor's ability to recover amounts owing to it. In addition, such an event could have an adverse impact on economic activity, consumer and investor confidence or the levels of volatility in financial markets.

*Substantial legal liability or regulatory action against the Guarantor could negatively impact the Guarantor's business*

Due to the nature of the Guarantor's business, it may from time to time be involved in litigation, arbitration and regulatory proceedings, principally in New Zealand. Such matters are subject to many uncertainties, and the outcome of individual matters cannot be accurately predicted. If the Guarantor is ordered to pay money (for example damages, fines, penalties or legal costs) or is otherwise subject to adverse outcomes of litigation, arbitration and regulatory proceedings, the Guarantor's profitability may be adversely affected.

**Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

*Risks related to the structure of a particular issue of Notes*

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

*If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.*

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.*

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

*Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.*

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

### ***Risks related to Notes generally***

Set out below is a description of material risks relating to the Notes generally:

*The conditions of the Notes contain provisions which may permit their modification without the consent of all investors.*

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority and therefore there is no guarantee that the resolutions approved will be consistent with the interests and/or the votes cast by each Noteholder.

### ***Substitution of the Issuer and the Guarantor***

If the conditions set out in the Conditions of the Notes are met, each of the Issuer and the Guarantor may, without the consent or sanction of the Noteholders, substitute in its place a new issuer as debtor or a new guarantor as guarantor, as applicable, in respect of all obligations arising under or in connection with the Notes (the “Substituted Company”) or the Guarantee (the “Substituted Guarantor”). In each case, the Noteholders will also assume the insolvency risk with regard to the Substituted Company or Substituted Guarantor, as applicable.



### *Withholding Tax*

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes.

#### *Withholding under the EU Savings Directive*

Under Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the "Amending Directive") amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

#### *U.S. Foreign Account Tax Compliance Act Withholding*

Whilst the Notes are in global form and held within Euroclear Bank SA/NV or Clearstream Banking, société anonyme (together the "ICSDs"), in all but the most remote circumstances it is not expected that the new reporting regime and potential withholding tax imposed by Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA") will affect the amount of any payment received by the ICSDs (see "*General Information - U.S. Foreign Account Tax Compliance Withholding*"). Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "IGA") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they

make on securities such as the Notes. However, if FATCA withholding were relevant with respect to payments on the Notes, FATCA could affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It could affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose custodians and intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. If any amount were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuer, any Paying Agent or any other person would, pursuant to the Conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding.

*The value of the Notes could be adversely affected by a change in English law or administrative practice.*

The Conditions of the Notes are based on English law in effect as at the date of this Programme Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Programme Circular and any such change could materially adversely impact the value of any Notes affected by it.

*Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

*The Notes will not have any covenant restricting the incurrence of liens for the benefit of other external indebtedness of the Issuer or the Guarantor*

As at the date of this Programme Circular, a certain amount of the Issuer's long term indebtedness has the benefit of a covenant that the Issuer or the Guarantor will not create or have outstanding any mortgage, pledge or other charge, upon or with respect to, any of its present or future assets or revenues to secure repayment of, or to secure any guarantee or indemnity in respect of, any "external indebtedness" (as defined below) without according the same to the holders of that long term indebtedness. This covenant has not been given for the benefit of holders of any Notes issued under the Programme the terms and conditions of which are contained in the Programme Circular dated 13

October 2011 or any Programme Circular published by the Issuer and the Guarantor after this date and will not be given for the benefit of the holders of any Notes, the terms and conditions of which are those contained in this Programme Circular.

As used in the previous paragraph, “external indebtedness” means any obligation for the repayment of borrowed money in the form of or represented by bonds, notes, debentures or other securities:

- (i) which are initially offered outside New Zealand with the consent of the Issuer in an amount exceeding 50 per cent. of the aggregate nominal amount of the relevant issue; and
- (ii) which are, or are capable of being, quoted, listed or ordinarily traded on any stock exchange or on any recognised securities market.

### ***Risks related to the market generally***

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

*An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell its Notes*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market at prices higher than the relevant investor’s initial investment. Therefore, in establishing their investment strategy, investors should ensure that the term of the Notes is in line with their future liquidity requirements. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. The Issuer, the Guarantor or any Dealer may, but is not obliged to, at any time purchase Notes at any price in the open market or by tender or private treaty. To the extent that an issue of Notes becomes illiquid, an investor may have to hold the relevant Notes until maturity before it is able to realise value.

*Investors may receive less in the secondary market than their initial investment.*

If it is possible to sell Notes, they would be sold for the prevailing bid price in the market and may be subject to a transaction fee. The prevailing bid price may be affected by several factors including prevailing interest rates at the time of sale, the time left before the stated maturity date and the creditworthiness of the Issuer. It is therefore possible that an investor selling Notes in the secondary market may receive a price less than that investor’s initial investment in the relevant Notes.

*Impact of implicit fees on the price of the Notes in the secondary market*

Investors should note that implicit fees (e.g. placement fees, direction fees, structuring fees) may be a component of the Issue/Offer Price of Notes, but such fees will not be taken into account for the purposes of determining the price of such Notes in the secondary market.

The Issuer will specify in the applicable Final Terms the type and amount of any implicit fees which are applicable from time to time.

Investors should also take into consideration that if Notes are sold on the secondary market immediately following the offer period relating to such Notes, the implicit fees included in the Issue/Offer Price on initial subscription for such Notes will be deducted from the price at which such Notes may be sold in the secondary market.

*If an investor holds Notes which are not denominated in the investor's home currency, that investor will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.*

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payment under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes or the Guarantor to make payments under the Guarantee. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The above risks may be increased if any Specified Currency and/or an Investor's Currency is the currency of an emerging market jurisdiction.

*The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.*

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

*Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes*

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time. In addition actual or anticipated changes in the credit ratings of the Notes will generally affect any trading for, or trading value of, the Notes.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Programme Circular.

*Changes in any applicable tax law or practice may have an adverse effect on a Noteholder*

Any relevant tax law or practice applicable as at the date of this Programme Circular and/or the date of purchase or subscription of any Notes may change at any time (including during any subscription period or the term of any Notes). Any such change may have an adverse effect on a Noteholder, including that Notes may be redeemed before their due date, their liquidity may decrease and/or the

tax treatment of amounts payable or receivable by or to an affected Noteholder may be less than otherwise expected by such Noteholder.

#### *Potential conflicts of interest*

Where the Calculation Agent is an affiliate of the Issuer, potential conflicts of interest may exist between the Calculation Agent and Noteholders, including with respect to certain determinations and judgements that the Calculation Agent may make pursuant to the Notes that may influence the amount receivable on redemption of the Notes.

#### **Risks relating to Notes denominated in Renminbi**

Set out below is a description of the principal risks which may be relevant to an investor in Notes denominated in Renminbi (“Renminbi Notes”):

*Renminbi is not freely convertible and there are significant restrictions on remittance of Renminbi into and out of the PRC, which may adversely affect the liquidity of investments in Renminbi Notes*

Renminbi is not freely convertible as of the date of this Programme Circular. The government of the PRC (the “PRC Government”) continues to regulate conversion between Renminbi and foreign currencies despite significant reduction in the control by the PRC Government in recent years over trade transactions involving the import and export of goods and services, as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Participating banks in Hong Kong and a number of other jurisdictions (the “Applicable Jurisdictions”) have been permitted to engage in the settlement of current account trade transactions in Renminbi.

On 13 October 2011, the People’s Bank of China (the “PBoC”) promulgated the “Administrative Measures on Renminbi Settlement of Foreign Direct Investment” (the “PBoC FDI Measures”) as part of the implementation of the PBoC’s detailed foreign direct investment (“FDI”) accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, the PBoC further issued the implementing rules for the PBoC FDI Measures. Under the PBoC FDI Measures, special approval for FDI and shareholder loans from the PBoC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBoC is still necessary.

On 5 July 2013, the PBoC promulgated the “Circular on Policies related to Simplifying and Improving Cross-Border Renminbi Business Procedures”, which sought to improve the efficiency of the cross-border Renminbi settlement process and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

On 3 December 2013, the Ministry of Commerce of the PRC (“MOFCOM”) promulgated the “Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment” (the “MOFCOM Circular”), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying “Renminbi Foreign Direct Investment” and the permitted capital contribution amount is required for each FDI transaction.

Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

As the MOFCOM Circular and the PBoC FDI Measures are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC Government will continue to liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Renminbi Notes.

*There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes*

As a result of the restrictions imposed by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited.

The PBoC has established a Renminbi clearing and settlement mechanism for participating banks in the Applicable Jurisdictions through settlement agreements with certain banks (each a "RMB Clearing Bank") to act as the RMB clearing bank in the Applicable Jurisdictions. Notwithstanding these arrangements, the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBoC on Renminbi business participating banks in relation to cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. These banks are only allowed to square their open positions with the relevant RMB Clearing Bank after consolidating the Renminbi trade position of banks outside the Applicable Jurisdictions that are in the same bank group of the participating banks concerned with their own trade position, and the relevant RMB Clearing Bank only has access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations in relation to cross-border trade settlements. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from foreign exchange transactions or conversion services. Where onshore liquidity support from the PBoC is not available, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement agreements will not be terminated or amended so as to have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of investments in the Renminbi Notes. To the extent that the Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Although the Issuer's primary obligation is to make all payments with respect to Renminbi Notes in Renminbi, where a Renminbi Currency Event is specified in the applicable Final Terms, in the event access to Renminbi becomes restricted to the extent that, by reason of RMB Inconvertibility, RMB Non-Transferability or RMB Illiquidity (each as defined in Condition 7(1)), the Issuer is unable to make any payment in respect of the Renminbi Note in Renminbi, the terms of such Renminbi Notes will permit the Issuer to make payment in U.S. dollars converted at the Spot Rate, all as provided in Condition 7(1). The value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the market place.

*An investment in Renminbi Notes is subject to exchange rate risks*

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by

many other factors. All payments of interest and principal with respect to Renminbi Notes will be made in Renminbi unless a RMB Currency Event is specified in the applicable Final Terms, and a RMB Currency Event occurs, in which case payment will be made in U.S. dollars. As a result, the value of these Renminbi payments in U.S. dollar or other foreign currency terms may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the U.S. dollar or other foreign currencies, then the value of any investment in Renminbi Notes in terms of the U.S. dollar or other applicable foreign currency will decline.

*An investment in fixed rate Renminbi Notes is subject to interest rate risks*

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. If a Renminbi Note carries a fixed interest rate, then the trading price of such Renminbi Notes will vary with the fluctuations in Renminbi interest rates. If an investor in Renminbi Notes tries to sell such Renminbi Notes then it may receive an offer that is less than the amount invested.

*Payments for Renminbi Notes will be made to investors in the manner specified in the Conditions.*

Investors might be required to provide certificates and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong. Except in the limited circumstances stipulated in Condition 7(1), all payments to investors in respect of Notes denominated in Renminbi will be made solely (i) whilst the Notes are represented by a Global Note held with the common depositary, for Euroclear and Clearstream, with a sub-custodian for CMU or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing Euroclear and Clearstream rules and procedures or those of the CMU or such alternative clearing system, or (ii) for so long as such Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

## Documents Incorporated by Reference

The following documents which have been previously published and have been filed with the Financial Conduct Authority shall be incorporated in and form part of this Programme Circular:

- (a) the audited annual financial statements and auditors' reports for the financial years ended 30 June 2014 and 30 June 2013 of the Issuer;
- (b) the audited consolidated and non-consolidated annual financial statements and auditors' reports for the financial years ended 30 June 2014 and 30 June 2013 of the Guarantor (set out on pages 12 to 85 and 93 and 94 and on pages 11 to 78 and 85 and 86, respectively of the ASB Bank Limited disclosure statements for the years ended 30 June 2014 and 30 June 2013);
- (c) the unaudited consolidated financial statements (including the Independent Accountant's Report (a limited review report) thereon) as at and for the half year ended 31 December 2014 of the Guarantor set out on pages 4 to 29 (inclusive) and pages 31 and 32 of the ASB Bank Limited disclosure statement for the six months ended 31 December 2014 (the "December 2014 Disclosure Statement");
- (d) the terms and conditions of the notes contained in the Programme Circulars prepared by Commonwealth Bank of Australia, the Issuer and the Guarantor dated 26 September 2001, pages 17 to 36 (inclusive); 26 September 2002, pages 17 to 37 (inclusive); 26 September 2003, pages 17 to 37 (inclusive); 1 June 2004, pages 18 to 38 (inclusive); 21 October 2004, pages 20 to 43 (inclusive); 2 March 2005, pages 20 to 43 (inclusive); 14 October 2005, pages 31 to 54 (inclusive); 13 October 2006, pages 32 to 56 (inclusive); 15 October 2007, pages 47 to 71 (inclusive); 16 October 2008, pages 50 to 75 (inclusive); 16 October 2009, pages 62 to 87 (inclusive); 14 October 2010, pages 58 to 92 (inclusive), 13 October 2011, pages 62 to 97 (inclusive) and 20 June 2012, pages 65 to 100 (inclusive); and
- (e) the terms and conditions of the notes contained in the Programme Circulars prepared by the Issuer and the Guarantor dated 19 June 2013, pages 31 to 58 (inclusive) and 24 June 2014, pages 35 to 63 (inclusive).

Following the publication of this Programme Circular a supplement may be prepared by the Issuer and approved by the Financial Conduct Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall to the extent applicable (whether expressly by implication or otherwise) be deemed to modify or supersede statements contained in this Programme Circular or in a document which is incorporated by reference in this Programme Circular by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive. Any statement so modified or superseded shall not except as so modified or superseded, constitute a part of this Programme Circular.

Copies of documents incorporated by reference in this Programme Circular will be available from the branch in London of the Issuer (currently Senator House, 85 Queen Victoria Street, London EC4V 4HA) and from the office of Deutsche Bank AG, London Branch specified at the end of this Programme Circular. In addition, copies of this Programme Circular and each document incorporated by reference herein are available on the London Stock Exchange's website at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Programme Circular shall not form part of this Programme Circular.

Any non-incorporated parts of a document referred to herein are either (i) not considered by the Issuer to be relevant for prospective investors in the Notes to be issued under the Programme or (ii) covered elsewhere in this Programme Circular.

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Programme Circular which is capable of affecting



the assessment of any Notes issued by it, prepare a supplement to this Programme Circular or publish a new Programme Circular for use in connection with any subsequent issue of Notes. The Issuer has undertaken to the Dealers in the Programme Agreement (as defined in “*Subscription and Sale*”) that it will comply with section 87G of the FSMA.

## **Form of the Notes**

The Notes of each Series will be in either bearer form (“Bearer Notes”), with or without interest coupons attached, or registered form (“Registered Notes”), without interest coupons attached. Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (“Regulation S”).

## **Bearer Notes**

Each Tranche of Bearer Notes will initially be represented by one or more temporary global Notes in bearer form (a “Temporary Bearer Global Note”) without Coupons, or Talons (each as defined in “*Conditions of the Notes*”) which will be deposited on the issue date with either (i) a common depository on behalf of Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) or (ii) a sub-custodian for the Hong Kong Monetary Authority (“HKMA”) as operator of the Central Moneymarkets Unit Service (the “CMU Service”).

If an interest payment date for any Bearer Notes occurs whilst such Notes are represented by a Temporary Bearer Global Note, the related interest payment will be made through Euroclear and/or Clearstream, Luxembourg or the CMU Service against presentation of the Temporary Bearer Global Note only to the extent that certification of non-U.S. beneficial ownership (in the form set out in the Temporary Bearer Global Note) has been received by Euroclear or Clearstream, Luxembourg or any entity appointed in relation to the relevant Notes as the CMU Lodging and Paying Agent as specified in the applicable Final Terms (the “CMU Lodging and Paying Agent”).

On or after the date (the “Exchange Date”) which is 40 days after the date on which the Temporary Bearer Global Note is issued, provided that certification of non-U.S. beneficial ownership has been received, interests in the Temporary Bearer Global Note will be exchanged either for (i) interests in a permanent global Note in bearer form (a “Permanent Bearer Global Note” and, together with a Temporary Bearer Global Note, a “Bearer Global Note”) or (ii), at the option of the Issuer, Notes in definitive bearer form. The CMU Service may require that any such exchange for a Permanent Bearer Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU Service (the “CMU Rules”)) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service) have so certified. No payments of interest will be made on a Temporary Bearer Global Note after the Exchange Date.

Payments of principal, premium (if any) or interest (if any) on a Permanent Bearer Global Note will be made through Euroclear or Clearstream, Luxembourg against presentation or surrender, as the case may be, of the permanent global Note without any requirement for certification of non-U.S. beneficial ownership. In respect of a Bearer Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service) and save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

The applicable Final Terms will specify whether a Permanent Bearer Global Note will be exchangeable in whole for security-printed definitive Bearer Notes (i) upon at least 45 days’ written notice expiring at least 30 days after the Exchange Date from the holders of interests in the Permanent Bearer Global Note or (ii) only upon the occurrence of an Exchange Event. For these purposes, “Exchange Event” means that (i) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg or, in the case of Notes held through the CMU Service, the CMU Service have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer

Global Note to be in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 16 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event (a) in the case of Notes held by a common depositary for Euroclear and/or Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) and/or (b) in the case of Notes held through the CMU Service, the relevant accountholders therein, may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Issuer may also give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent. At present, neither Euroclear nor Clearstream, Luxembourg regard Notes in global form as fungible with Notes in definitive form. Temporary Bearer Global Notes and Permanent Bearer Global Notes and definitive Bearer Notes will be issued by the Principal Paying Agent acting on behalf of the Issuer.

The following legend will appear on all Bearer Notes and Coupons: “Any United States person (as defined in the United States Internal Revenue Code) who holds this obligation will be subject to limitations under the United States income tax laws including the limitations provided in sections 165(j) and 1287(a) of such Code.”

The exchange of a Permanent Bearer Global Note for definitive Bearer Notes upon notice from Euroclear and/or Clearstream (acting on the instructions of any holder) or at any time at the request of the Issuer should not be expressed to be applicable in the applicable Final Terms if the Bearer Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for definitive Bearer Notes.

### **Registered Notes**

Registered Notes will initially be represented by a global note in registered form (a “Registered Global Note” and, together with a Bearer Global Note, a “Global Note”). Registered Global Notes will be deposited with either (i) a common depositary for Euroclear and Clearstream, Luxembourg and will be registered in the name of its nominee or (ii) a sub-custodian for the HKMA as operator of the CMU Service. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Registered Notes.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7(b)) as the registered holder of the Registered Global Notes. None of the Issuer, the Guarantor, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the definitive Registered Notes will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7(b)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Noteholders in accordance with Condition 16 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear

and/or Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) and/or (b) in the case of Notes held through the CMU Service, the relevant accountholders therein, may give notice to the Registrar or, as the case may be, the CMU Lodging and Paying Agent requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar or, as the case may be, the CMU Lodging and Paying Agent.

### **Clearing Systems**

Pursuant to the Agency Agreement (as defined under “*Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code, ISIN and, where applicable, a CMU instrument number which are different from the common code, ISIN and CMU instrument number assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

For so long as any of the Notes are represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg and/or the CMU Service, each person (other than Euroclear or Clearstream, Luxembourg or the CMU Service) who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, any Paying Agent and any Transfer Agent or, as the case may be, the CMU Lodging and Paying Agent as the holder of such nominal amount of Notes for all purposes other than with respect to payments on the Notes for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Paying Agent or, as the case may be, the CMU Lodging and Paying Agent as the holder of such Notes in accordance with and subject to the terms of the relevant Global Note and the terms “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly. Notes held in Euroclear and/or Clearstream, Luxembourg and/or the CMU Service and which are represented by a Global Note will only be transferable, and payment in respect of them will only be made, in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg or the CMU Service, as the case may be. Notwithstanding the above, if a Note is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system agreed between the Issuer, the Principal Paying Agent and the relevant Dealer.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same

time holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or the CMU Service, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the “Deed of Covenant”) dated 19 June 2013 and executed by the Issuer.

## Applicable Final Terms

[Date]

### ASB Finance Limited

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

**Guaranteed by ASB Bank Limited  
under the U.S.\$70,000,000,000  
Euro Medium Term Note Programme**

### Part A– Contractual Terms

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Programme Circular dated 24 June 2015 [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “Programme Circular”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Programme Circular. Full information on the Issuer and the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Programme Circular. The Programme Circular has been published on [the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>].]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Programme Circular dated [ ] which are incorporated by reference into the Programme Circular dated 24 June 2015. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Programme Circular dated 24 June 2015 [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a Programme Circular for the purposes of the Prospectus Directive (the “Programme Circular”), including the Conditions incorporated by reference in the Programme Circular. Full information on the Issuer and the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Programme Circular. The Programme Circular has been published on [the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>].]

1. (i) Issuer: ASB Finance Limited
- (ii) Guarantor: ASB Bank Limited
2. (i) Series of which Notes are to be treated [ ]  
as forming part:
- (ii) Tranche Number: [ ]
- (iii) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 20 below, which is expected to occur on or about [ ]][Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
- (i) Series: [ ]
- (ii) Tranche: [ ]

5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]
6. (i) Specified Denominations: [ ]
- (ii) Calculation Amount: [ ]
7. (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [[ ]/Issue Date/Not Applicable]
8. Maturity Date: [ ]/[ Interest Payment Date falling in or nearest to [ ]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
[[ ] month [LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
(see paragraph [13]/[14]/[ 15] below)
10. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount]
11. Change of Interest Basis: [ ] [Not Applicable]
12. Put/Call Options: [Not Applicable]  
[Investor Put]  
[Issuer Call]  
[(see paragraph [16]/[17] below)]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

13. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
- (ii) (A) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
- (B) Fixed Interest Periods: [Adjusted/Unadjusted]
- (iii) Fixed Coupon Amount(s): [[ ] per [ ] Calculation Amount/Not Applicable]
- (iv) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]

- (v) Additional Business Centre(s):  /Not Applicable]
- (vi) Broken Amount(s):  per Calculation Amount, payable on the Interest Payment Date falling [in/on]  ]/[Not Applicable]
- (vii) Day Count Fraction: [Actual/Actual (ISDA)]  
 [Actual/365 (Fixed)]  
 [Actual/360]  
 [30E/360 or Eurobond Basis]  
 [Actual/Actual (ICMA)]  
 [30/360 (Fixed) or 30/360, unadjusted]  
 [30E/360 (ISDA)]
- (viii) Determination Date(s):  in each year] [Not Applicable]
14. Floating Rate Note Provisions  Applicable/Not Applicable]
- (i) Specified Period(s)/Specified Interest Payment Date(s):  ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
- (iii) Additional Business Centre(s): [Not Applicable/[ ]]
- (iv) Manner in which the Rate of Interest and Interest Amount are to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):  ]
- (vi) Screen Rate Determination:
- Reference Rate:  month [LIBOR/EURIBOR]
  - Interest Determination Date(s):  ]/[Second London business day prior to the start of each Floating Interest Period]/[First day of each Floating Interest Period]/[Second day on which the TARGET2 System is open prior to the start of each Floating Interest Period]
  - Relevant Screen Page:  ]
- (vii) ISDA Determination:
- Floating Rate Option:  ]
  - Designated Maturity:  ]
  - Reset Date:  ]
- (viii) Linear Interpolation: [Not Applicable/Applicable - the Rate of Interest



for the [long/short] [first/last] Floating Interest Period shall be calculated using Linear Interpolation]

- (ix) Margin(s): [ +/- ] [ ] per cent. per annum
- (x) Minimum Rate of Interest: [ ] per cent. per annum
- (xi) Maximum Rate of Interest: [ ] per cent. per annum
- (xii) Day Count Fraction: [[Actual/Actual (ISDA)]] [[Actual/Actual]]  
[Actual/365 (Fixed)]  
[Actual/360]  
[30/360 (Floating)] [360/360] [Bond Basis]  
[30E/360] [Eurobond Basis]  
30E/360 (ISDA)]]]

15. Zero Coupon Note Provisions [Applicable/Not Applicable]

- (i) Accrual Method: [Linear Accrual / Compounding Accrual]
- (ii) Accrual Yield: [ ] per cent. per annum
- (iii) Reference Amount: [ ]
- (iv) Day Count Fraction in relation to Zero Coupon Notes: Conditions 5(d) and 6(e) apply  
[30/360]  
[Actual/360]  
[Actual/365]

#### PROVISIONS RELATING TO REDEMPTION

16. Issuer Call: [Applicable/Not Applicable]

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount: [ ] per Calculation Amount
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [ ]
  - (b) Maximum Redemption Amount: [ ]
- (iv) Notice period: [ ] Business Days

17. Investor Put: [Applicable/Not Applicable]

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount: [ ] per Calculation Amount
- (iii) Notice period: [ ] Business Days

18. Final Redemption Amount: [ ] per Calculation Amount]

19. Early Redemption Amount payable on redemption for taxation reasons or on event of default:  per Calculation Amount/Condition 6(f) shall apply]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

20. Form of Notes: **[Bearer Notes:**  
 Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 45 days’ notice/only upon an Exchange Event]  
 [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Registered Notes:**  
 [Registered Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg]  
 [Registered Global Note held through the CMU Service]]
21. Payment Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention]
22. Additional Financial Centre(s): [Not Applicable/[  ]]
23. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No.]

**PROVISIONS APPLICABLE TO RMB NOTES**

24. RMB Currency Event: [Applicable/Not Applicable]
25. Spot Rate (if different from that set out in Condition 7(l))  /Not Applicable]
26. Party responsible for calculating the Spot Rate  (the “Calculation Agent”)]
27. Relevant Currency (if different from that in Condition 7(l))  /Not Applicable]

Signed on behalf of the Issuer by its attorneys in the presence of:

.....  
 Signature of Attorney

.....  
 Signature of Attorney

.....  
 Name of Attorney

.....  
 Name of Attorney

Signature of Witness .....  
Name of Witness .....  
Occupation .....  
Address .....

Signed on behalf of the Guarantor by its attorneys in the presence of:

.....  
Signature of Attorney                      Signature of Attorney  
.....  
Name of Attorney                      Name of Attorney

Signature of Witness .....  
Name of Witness .....  
Occupation .....  
Address .....  
.....

## Part B– Other Information

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange’s regulated market] [and, to be listed on the Official List of the UK Listing Authority] with effect from [ ].]
- [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange’s regulated market] [and, to be listed on the Official List of the UK Listing Authority] with effect from [ ].]
- (ii) Estimate of total expenses related to [ ] admission to trading:

### 2. RATINGS

The Notes to be issued [have been]/[are expected to be]/[have not been] rated[:

[S & P: [ ]]

[Moody’s: [ ]]

[Fitch: [ ]]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to [ ] (the [“Managers”/“Dealers”]), so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

### 4. YIELD

Indication of Yield:

[ ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 5. HISTORIC INTEREST RATES (FLOATING RATE NOTES ONLY)

Details of historic [LIBOR/EURIBOR/[ ]] rates can be obtained from [Reuters].

### 6. OPERATIONAL INFORMATION

- (i) ISIN: [ ]
- (ii) Common Code: [ ]
- (iii) CMU Instrument Number: [ ]
- (iv) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/[ ]]

- (v) CMU Lodging and Paying Agent:  [Not Applicable]
- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional  Paying Agent(s) (if any):
- (viii) U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA D/TEFRA not applicable]

## 7. THIRD PARTY INFORMATION

has been extracted from . The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by , no facts have been omitted which would render the reproduced information inaccurate or misleading.]

## Conditions of the Notes

*The following are the Conditions of the Notes which (except for the paragraph in italics) will be incorporated by reference into each global Note and will be endorsed upon each definitive Note. The applicable Final Terms will be endorsed upon, or attached to, each global Note and definitive Note. Reference should be made to "applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series of Euro Medium Term Notes (all of the Euro Medium Term Notes from time to time issued by ASB Finance Limited (the Issuer) which are for the time being outstanding being hereinafter referred to as the "Notes", which expression shall include (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency of the relevant Notes, (ii) definitive Notes issued in exchange (or part exchange) for a global Note and (iii) any global Note). The Notes, the Coupons (as defined below) and the Talons (as defined below) have the benefit of an Amended and Restated Agency Agreement (as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 19 June 2013 and made between, *inter alios*, the Issuer, ASB Bank Limited as guarantor (the "Guarantor"), Deutsche Bank AG, London Branch as principal paying agent (the "Principal Paying Agent", which expression shall include any successor as principal paying agent), Deutsche Bank Luxembourg S.A. as registrar (the "Registrar" which expression shall include any successor as registrar) and the paying agents and transfer agents named therein (the "Paying Agents" and the "Transfer Agents", which expressions shall include any additional or successor paying agents and transfer agents). The Noteholders, the Couponholders and the Talonholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the "Deed of Covenant") dated 19 June 2013 and made by the Issuer. The original of the Deed of Covenant is held by the common depository for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing during normal business hours at the registered office of the London Branch Office of ASB Finance (currently Senator House, 85 Queen Victoria Street, London EC4V 4HA) and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB, England. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange, the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. The Noteholders, the Couponholders and the Talonholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

The payment of all amounts in respect of this Note have been guaranteed by the Guarantor pursuant to a deed of guarantee (the "Guarantee") dated 19 June 2013 and executed by the Guarantor. The original of the Guarantee is held by the Principal Paying Agent on behalf of the Noteholders and the Couponholders at its specified office.

Any reference to "Noteholders" in relation to any Notes shall mean (in the case of definitive Notes in bearer form) the holders of the Notes and (in the case of definitive Notes in registered form) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a global Note, be construed as provided below. Any reference herein to "Couponholders" shall mean the holders of the Coupons and any reference herein to "Talonholders" shall mean the holders of the Talons.

As used herein, "Series" means each original issue of Notes together with any further issues expressed to form a single series with the original issue and the terms of which (save for the Issue Date or Interest Commencement Date, as the case may be, the Issue Price and the amount of the first payment

of interest (if any), all as indicated in the applicable Final Terms) are otherwise identical (including whether or not they are listed) and shall be deemed to include the temporary and (where applicable) permanent global Notes and the definitive Notes of such issues and the expressions “Notes of this Series” and “holders of Notes of this Series” and related expressions shall be construed accordingly. As used herein, “Tranche” means all Notes of the same Series with the same Issue Date.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Conditions. References to the “applicable Final Terms” are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

The Noteholders, the Couponholders and the Talonholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions relating to the Notes contained in the applicable Final Terms, the Agency Agreement, the Guarantee and the Deed of Covenant which are applicable to them. Words and expressions defined in the Agency Agreement or defined or set out in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated. Copies of the applicable Final Terms are available for inspection by the holders of Notes of this Series at the office of the Principal Paying Agent set out at the end of these Conditions. The statements in these Conditions are summaries of the detailed provisions of the Agency Agreement which provisions shall have precedence over these Conditions if there is any inconsistency.

In the Conditions, “euro” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## **1 Form, Denomination and Title**

The Notes of this Series are Bearer Notes or Registered Notes as specified in the applicable Final Terms and are in the currency (the “Specified Currency”) and the denominations (the “Specified Denomination(s)”) specified in the applicable Final Terms. Definitive Notes of this Series (if issued) will be serially numbered and Bearer Notes may not be exchanged for Registered Notes and vice versa. This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or any appropriate combination thereof depending upon the Interest Basis specified in the applicable Final Terms or a combination of any of the foregoing, depending on the Redemption/Payment Basis specified in the applicable Final Terms. If this Note is a definitive Bearer Note, it is issued with Coupons for the payment of interest (“Coupons”) and, if applicable, Talons for further Coupons (“Talons”) attached, unless it is a Zero Coupon Note in which case references to interest (other than in relation to interest due after the Maturity Date) and Coupons or Talons in these Conditions are not applicable. References in these Conditions, except in this paragraph, Condition 7 and Condition 10, to Coupons or Couponholders shall be deemed to include references to Talons or Talonholders.

Subject as set out below, title to the definitive Bearer Notes and the Coupons will pass by delivery and title to the definitive Registered Notes will pass upon the registration of transfers in accordance with the provisions of the Agency Agreement. The holder of each Coupon, whether or not such Coupon is attached to a Bearer Note, in his capacity as such, shall be subject to, and bound by, all the provisions contained in the relevant Note. Subject as set out below, the Issuer, the Guarantor, any Paying Agent and any Transfer Agent may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not such Note or Coupon shall be overdue and notwithstanding any notation of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes

but, in the case of any global Note, without prejudice to the provisions set out below. For so long as any Notes are represented by a global Note held on behalf of Euroclear Bank S.A./N.V. (“Euroclear”) and/or Clearstream Banking société anonyme (“Clearstream, Luxembourg”), each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and any Paying Agent as the holder of such nominal amount of Notes for all purposes other than with respect to payments on the Notes for which purpose the bearer of the relevant global Bearer Note or the registered holder of the relevant global Registered Note shall be treated by the Issuer, the Guarantor and any Paying Agent as the holder of such Notes in accordance with and subject to the terms of the relevant global Note and the terms “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, except in the preceding paragraph and in Condition 16, wherever the context so permits, be deemed to include a reference to any additional or alternative clearance system specified in Part B of the applicable Final Terms.

Notes which are represented by a global Note held on behalf of Euroclear and/or Clearstream, Luxembourg will only be transferable in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg, as the case may be.

## **2 Transfer**

- (a) Transfers of beneficial interests in global Registered Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a global Registered Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for definitive Registered Notes or for a beneficial interest in another global Registered Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.
- (b) A definitive Registered Note may be transferred in whole or in part (in the nominal amount of the lowest Specified Denomination or any integral multiple thereof) by the deposit by the transferor of the definitive Registered Note for registration of the transfer at the specified office of a Transfer Agent with the form of transfer endorsed on the definitive Registered Note duly completed and executed by or on behalf of the transferor and upon the relevant Transfer Agent (after due and careful enquiry) being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer and the Registrar may prescribe. Subject as provided above, the relevant Transfer Agent will, within fourteen days of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), deliver at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request a new definitive Registered Note of a like aggregate nominal amount to the definitive Registered Note (or the relevant part of the definitive Registered Note) transferred. In the case of the transfer of part only of a definitive Registered Note, a new definitive Registered Note in respect of the balance of the definitive Registered Note not transferred will be so delivered or (at the risk of the transferor) sent to the transferor.



- (c) In the event of a partial redemption of Notes under Condition 6(c), the Issuer shall not be required to:
  - (i) register the transfer of any definitive Registered Note, or part of a definitive Registered Note, called for partial redemption; or
  - (ii) exchange any definitive Bearer Note called for partial redemption.
- (d) Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than at the specified office of a Transfer Agent or by regular mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.
- (e) The names of the initial Registrar and other initial Transfer Agents and their initial specified offices in respect of this Series of Notes are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of the Registrar or any other Transfer Agent and to appoint another Registrar or additional or other Transfer Agents. Notice of any termination or appointment and of any changes in specified offices will be given to the holders of the Notes of this Series promptly by the Issuer in accordance with Condition 16.

### **3 Status of the Notes and the Guarantee**

#### **(a) Status of the Notes**

The Notes of this Series and the relative Coupons (if any) are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank equally among themselves and equally with the Issuer's other present and future unsecured and unsubordinated obligations (except for certain debts that are required to be preferred by applicable law).

Changes to applicable laws may extend the debts required to be preferred by law.

#### **(b) Status of the Guarantee**

The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and will rank without any preference or priority amongst themselves and pari passu with all other present and future unsubordinated and unsecured obligations (other than statutorily preferred creditors) of the Guarantor.

#### **(c) Issuer Covenant**

The Issuer covenants that the proceeds of any issue will be lent to the Guarantor pursuant to a loan agreement in the same currency and on the same financial terms with the addition of such margin or amounts as the Issuer may determine.

### **4 [This Condition is no longer applicable]**

### **5 Interest**

The applicable Final Terms will indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes.

#### **(a) Interest on Fixed Rate Notes**

This Condition 5(a) applies to Fixed Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 5(a) for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the

Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

- (1) Each Fixed Rate Note bears interest from and including the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest specified in the applicable Final Terms.

Interest in respect of Fixed Rate Notes will accrue in respect of each Fixed Interest Period. In these Conditions, “Fixed Interest Period” means the period from (and including) an Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Fixed Interest Periods shall be adjusted (“Adjusted Fixed Rate Notes”) or unadjusted (“Unadjusted Fixed Rate Notes”) as specified in the applicable Final Terms. In the case of Adjusted Fixed Rate Notes, a Business Day Convention shall also be specified in the applicable Final Terms and (where applicable) Interest Payment Dates shall be postponed or brought forward, as the case may be, in accordance with Condition 5(c)(ii).

In the case of Unadjusted Fixed Rate Notes, if the Notes are in definitive form and if Fixed Coupon Amount is specified in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount or the Broken Amount (if any) so specified.

Interest will be paid subject to and in accordance with the provisions of Condition 7 (unless otherwise specified in the applicable Final Terms). Interest will cease to accrue on each Fixed Rate Note (or, in the case of the redemption of part only of a Fixed Rate Note, that part only of such Note) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (as well after as before any judgment) until, but excluding, whichever is the earlier of (A) the day on which all sums due in respect of such Fixed Rate Note up to that day are received by or on behalf of the holder of such Fixed Rate Note and (B) the day which is seven days after the date on which the Principal Paying Agent has notified the holder in accordance with Condition 16 that it has received all sums due in respect thereof up to that date.

- (2) Except in the case of Unadjusted Fixed Rate Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount, is specified in the applicable Final Terms, the Principal Paying Agent will calculate the amount of interest (the “Interest Amount”) payable in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

The calculation of each Interest Amount by the Principal Paying Agent shall (in the absence of manifest error) be final and binding upon all parties.

In this Condition 5(a), “Day Count Fraction” has the meaning given to it in Condition 5(c).

In these Conditions “sub-unit” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes*

This Condition 5(b) applies to Floating Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 5(b) for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

(1) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “Interest Payment Date”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each period from and including an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date (each such period, a “Floating Interest Period” and, together with a Fixed Interest Period, each an “Interest Period”).

(2) *Interest Payments and Accrual*

Interest will be paid subject to and in accordance with the provisions of Condition 7 (unless otherwise specified in the applicable Final Terms). Interest will cease to accrue on each Floating Rate Note (or, in the case of the redemption of part only of a Floating Rate Note, that part only of such Note) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (as well after as before any judgement) until, but excluding, whichever is the earlier of (A) the day on which all sums due in respect of such Floating Rate Note up to that day are received by or on behalf of the holder of such Floating Rate Note and (B) the day which is seven days after the date on which the Principal Paying Agent has notified the holder in accordance with Condition 16 that it has received all sums due in respect thereof up to that date.

(3) *Rate of Interest and Interest Amount*

The Rate of Interest payable from time to time in respect of each Floating Rate Note will be determined in the manner specified in the applicable Final Terms.

(4) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Floating Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this Condition 5(b)(4), “ISDA Rate” for a Floating Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Principal Paying Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes, (the “ISDA Definitions”) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this Condition 5(b)(4), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions.

When this Condition 5(b)(4) applies, in respect of each relevant Floating Interest Period:

- (i) the Rate of Interest for such Floating Interest Period will be the rate of interest determined by the Principal Paying Agent or other person specified in the applicable Final Terms in accordance with this Condition 5(b)(4); and
- (ii) the Principal Paying Agent or other person specified in the applicable Final Terms will be deemed to have discharged its obligations under Condition 5(b)(8) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Floating Interest Period in the manner provided in this Condition 5(b)(4).

(5) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Floating Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) (the “Specified Time”) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent or other person specified in the applicable Final Terms. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent or that other person for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

In the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the Specified Time, the Principal Paying Agent shall request each of the Reference Banks (as defined below) to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.00005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the Reserve Interest Rate. The "Reserve Interest Rate" shall be the rate per annum which the Principal Paying Agent determines to be either (i) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.00005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), or (ii) in the event that the Principal Paying Agent can determine no such arithmetic mean, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

In this Condition 5(b)(5) the expression "Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Principal Paying Agent.

(6) *Minimum and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a minimum Rate of Interest for any Floating Interest Period, then, in the event that the Rate of Interest in respect of any such Floating Interest Period determined in accordance with the above provisions is less than such minimum Rate of Interest, the Rate of Interest for such Floating Interest Period shall be such minimum Rate of Interest. If the applicable Final Terms specifies a maximum Rate of Interest for any Floating Interest Period, then, in the event that the Rate of Interest in respect of any such Floating Interest Period determined in accordance with the above provisions is greater than such

maximum Rate of Interest, the Rate of Interest for such Floating Interest Period shall be the maximum Rate of Interest.

(7) *Business Day, Interest Determination Date and Relevant Screen Page*

- (i) In this Condition, “Business Day” has the meaning given to it in Condition 5(c).
- (ii) In this Condition, “Interest Determination Date” has the meaning set out in the applicable Final Terms.
- (iii) In this Condition, “Relevant Screen Page” has the meaning set out in the applicable Final Terms.

(8) *Determination of Rate of Interest and Calculation of Interest Amount*

The Principal Paying Agent or other person specified in the applicable Final Terms will, as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest payable on the Floating Rate Notes for the relevant Floating Interest Period as soon as practicable after calculating the same.

Unless otherwise specified in the applicable Final Terms, the Interest Amount payable on the Floating Rate Notes for the relevant Floating Interest Period will be calculated by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

The determination of the Rate of Interest and calculation of each Interest Amount by the Principal Paying Agent or other person specified in the applicable Final Terms shall (in the absence of manifest error) be final and binding upon all parties.

(9) *Notification of Rate of Interest and Interest Amount*

The Principal Paying Agent will cause the Rate of Interest and the Interest Amount for each Floating Interest Period and the relevant Interest Payment Date to be notified to the Issuer and, in the case of Floating Rate Notes which are listed on a stock exchange, that stock exchange as soon as possible but in any event not later than the second Business Day after their determination and will cause notice of such information to be given to the holders of the Notes of this Series in accordance with Condition 16 not later than the fourth Business Day after their determination. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notification as aforesaid in the event of an extension or shortening of the Floating Interest Period. Any such amendment will be promptly notified to any stock exchange on which the Notes affected thereby are for the time being listed.

(10) *Notifications, etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition by the

Principal Paying Agent or the Calculation Agent will (in the absence of default, bad faith or manifest error by them or any of their directors, officers, employees or agents) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent, the Paying Agents and all holders of the Notes of this Series and Coupons relating thereto and (in the absence of any default, bad faith or manifest error as referred to above) no liability to the Issuer, the Guarantor or the holders of the Notes of this Series and Coupons relating thereto shall attach to the Principal Paying Agent or the Calculation Agent in connection with the exercise or non-exercise by them of their powers, duties and discretions under this Condition.

(11) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of a Floating Interest Period in the applicable Final Terms, the Rate of Interest for such Floating Interest Period shall be calculated by the Principal Paying Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Floating Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Floating Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“Designated Maturity” means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(c) Day Count Fraction and Business Day Convention

(i) *Day Count Fraction*

“Day Count Fraction” means, unless otherwise specified in the applicable Final Terms:

- (1) if “Actual/Actual (ISDA)” is specified in the applicable Final Terms, the actual number of days in, for the purposes of Condition 5(a), the Fixed Interest Period or, if interest is required to be calculated for a period (the “Relevant Period”) other than a full Interest Period, the Relevant Period, as the case may be, and, for the purposes of Condition 5(b), the Floating Interest Period, in each case divided by 365 (or, if any portion of the relevant period falls in a leap year, the sum of (A) the actual number of days in that portion of the relevant period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the relevant period falling in a non-leap year divided by 365);
- (2) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in, for the purposes of Condition 5(a), the Fixed Interest Period or the Relevant Period, as the case may be, and, for the purposes of Condition 5(b), the Floating Interest Period, in each case divided by 365;
- (3) [This Condition is no longer applicable]
- (4) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in, for the purposes of Condition 5(a), the Fixed Interest Period or the Relevant Period, as the case may be, and, for the purposes of Condition 5(b), the Floating Interest Period, in each case divided by 360;
- (5) if “30/360 (Floating)”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls:

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls; “M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (6) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in, for the purposes of Condition 5(a), the Fixed Interest Period or the Relevant Period, as the case may be, and, for the purposes of Condition 5(b), the Floating Interest Period, in each case divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls:

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls; “M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

- (7) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
- (A) in the case of Notes where the number of days in the Interest Period or the Relevant Period, as the case may be, from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; or
- (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
- (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of



Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and

- (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year;

“Determination Period” means the period from (and including) a Determination Date (as specified in the applicable Final Terms) to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

- (8) if “30/360 (Fixed)” or “30/360, unadjusted” is specified in the applicable Final Terms, the number of days in the Interest Period or the Relevant Period, as the case may be, (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.
- (9) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in, for the purposes of Condition 5(a), the Fixed Interest Period or the Relevant Period, as the case may be, and, for the purposes of Condition 5(b), the Floating Interest Period, in each case divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls:

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls; “M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D2 will be 30.

- (ii) *Business Day Convention*

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then if the Business Day Convention specified is:

- (1) in the case where a Specified Period is specified in accordance with Condition 5(b)(1)(B) above, the Floating Rate Convention, such Interest Payment Date (A) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (b) below shall apply mutatis mutandis or (B) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (a) such Interest Payment Date shall be brought forward to the immediately preceding Business Day

and (b) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition:

“Business Day” means (unless otherwise stated in the applicable Final Terms):

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and, if any Additional Business Centre(s) is specified in the applicable Final Terms, in such Additional Business Centre(s); and
  - (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (“TARGET2”) is open.
- (d) Where a Zero Coupon Note becomes due and repayable prior to the Maturity Date and is not paid when due, the amount due and repayable shall be the Amortised Face Amount of such Note as determined in accordance with Condition 6(e). As from the Maturity Date any overdue principal of such Note shall bear interest at a rate per annum equal to the Accrual Yield. Such interest shall continue to accrue (as well after as before any judgment) until whichever is the earlier of (A) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note and (B) the day which is seven days after the date on which the Principal Paying Agent has notified the holder in accordance with Condition 16 that it has received all sums due in respect thereof up to that date. Such interest will be calculated as provided for the relevant calculation to be made in respect of the applicable Day Count Fraction in Condition 6(e).

## **6 Redemption and Purchase**

### **(a) Final Redemption**

Unless previously redeemed or purchased and cancelled as provided below, each Note of this Series will be redeemed at its Final Redemption Amount in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

### **(b) Redemption for Tax Reasons**

Subject to Condition 6(f), the Notes of this Series may be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of Notes other than Floating Rate Notes) or on any Interest Payment Date (in the case of Floating Rate Notes), on giving not less than 30 nor more than 60 days’ notice in accordance with Condition 16 (which notice shall be irrevocable), at the Early Redemption Amount provided in, or calculated in accordance with, paragraph (f) or (g) (as applicable) below, together with (if provided in such paragraphs) interest accrued up to, but excluding, the date fixed for redemption, if (i) the Issuer or the

Guarantor has or will become obliged to pay additional amounts as provided or referred to in Condition 9 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts or (ii) in order to reduce the applicable level of any New Zealand non-resident withholding tax (under current law or change of law) to zero, the Issuer becomes obliged to pay approved issuer levy at a rate exceeding the rate of the levy being charged at the date of issue of the Notes under section 86J of the Stamp and Cheque Duties Act 1971 of New Zealand or incurs any other cost in excess of that applicable under New Zealand law at the date of issue of the Notes, in each case as a result of any change in, or amendment to, the laws or regulations of a Taxing Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of such laws or regulations (including the manner of exercising any official discretion thereunder), which change or amendment becomes known generally or to the Issuer or the Guarantor on or after the Issue Date (or, in the case of a second or subsequent Tranche of Notes of this Series, the Issue Date for the original Tranche) provided that no such notice of redemption shall be given in respect of the Notes of this Series earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts and, for the purpose only of determining the earliest date on which such notice may be given, it shall be deemed that a payment, in respect of which the Issuer or the Guarantor would be obliged to pay such additional amounts, is due in respect of the Notes of this Series on the day on which any such change or amendment becomes effective.

(c) Redemption at the Option of the Issuer (Issuer Call)

This Condition 6(c) applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an “Issuer Call”. The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 6(c) for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may on any Optional Redemption Date specified in the applicable Final Terms at its option, on giving not less than the period of notice specified in the applicable Final Terms to the holders of the Notes of this Series (which notice shall be irrevocable and shall specify the date fixed for redemption and where any such period of notice is expressed as a specified number of business days, the expression “business day” shall have the meaning given in Condition 7(g)) in accordance with Condition 16, redeem all or from time to time some only of the Notes of this Series then outstanding on the relevant Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together with (in the case of Fixed Rate Notes) interest accrued to, but excluding, the relevant Optional Redemption Date.

In the event of a redemption of some only of such Notes, such redemption must be for an amount being not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount (if any) specified in the applicable Final Terms. In the case of a partial redemption of Notes, Notes to be redeemed will be selected individually by lot (without involving any part only of a Bearer Note) not less than 40 days prior to the date fixed for redemption. In the case of a partial redemption where some or all of the Notes are represented by a global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, such redemption with respect to those Notes will take place in accordance with the procedures of Euroclear and/or Clearstream, Luxembourg from time to time. Each notice of redemption will specify the date fixed for redemption and, in the case of a partial redemption, the aggregate nominal amount, and, where some or all of the Notes are in definitive form, the serial numbers, of the Notes to be redeemed and, in each case, the aggregate nominal amount

of the Notes of this Series which will be outstanding after the partial redemption. In addition, in the case of a partial redemption of a Series of Notes which includes Registered Notes, the Issuer will publish an additional notice of redemption not less than 80 nor more than 95 days before the date fixed for redemption which notice will specify the period during which exchanges or transfers of Notes may not be made as provided in Condition 2.

(d) Redemption at the Option of the Noteholders (Investor Put)

This Condition 6(d) applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an “Investor Put”. The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 6(d) for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Final Terms, upon any Noteholder giving to the Issuer in accordance with Condition 16 not less than the period of notice specified in the applicable Final Terms (the “notice period”), the Issuer will, upon the expiry of such notice redeem in whole (but not in part) the Notes the subject of the notice on the Optional Redemption Date and at the Optional Redemption Amount together with (in the case of Fixed Rate Notes) interest accrued up to, but excluding, the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form, and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) on any business day (as defined in Condition 7(g)) falling within the notice period a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or from the Registrar (a “Put Notice”) and, in the case of a Put Notice in respect of Bearer Notes, in which the holder must specify a bank account outside New Zealand to which payment is to be made under this Condition. If this Note is in definitive form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

A Put Notice or other notice given by a holder of any Note pursuant to this Condition 6(d), once delivered, shall be irrevocable and the Issuer shall redeem all Notes delivered therewith on the applicable redemption date.

(e) Zero Coupon Notes

- (1) The amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to paragraph (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 11 shall be an amount per Calculation Amount (the “Amortised Face Amount”) calculated in accordance with the formula for the Accrual Method specified in the applicable Final Terms:

$$\text{Linear Accrual: Amortised Face Amount} = \text{Reference Amount} \times (1 + \text{Accrual Yield} \times y)$$

Compounding Accrual: Amortised Face Amount = Reference Amount x (1+Accrual Yield)<sup>y</sup>

where:

“Reference Amount” means the amount specified as such in the applicable Final Terms, which is the product of the Issue Price and the Calculation Amount;

“Accrual Yield” means the rate specified as such in the applicable Final Terms; and

“y” is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (Fixed) or 30/360 unadjusted (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (Fixed) (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

(2) If the amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to paragraph (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Note shall be the amount calculated as provided in Condition 6(e)(1) above as though the references therein to the date fixed for the redemption or the date upon which such Note becomes due and payable were replaced by references to the date which is the earlier of.

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) the date on which the full amount of the moneys payable in respect of such Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 16.

(f) Early Redemption Amounts

For the purposes of paragraph (b) above and Condition 11, unless otherwise indicated in the applicable Final Terms, Notes will be redeemed at their Early Redemption Amount, being (1) in the case of Fixed Rate Notes or Floating Rate Notes the Final Redemption Amount or (2) in the case of Zero Coupon Notes at the Amortised Face Amount of such Notes determined in accordance with paragraph (e) above, in each case in the relevant Specified Currency together with, in the case of Fixed Rate Notes redeemed pursuant to paragraph (b) above, interest accrued to, but excluding, the date fixed for redemption.

(g) Purchase and Cancellation

The Issuer or the Guarantor may at any time purchase Notes of this Series (provided that all unmatured Coupons appertaining to such Notes, if in definitive bearer form, are attached thereto or surrendered therewith) in any manner and at any price.

All Notes of this Series together, in the case of definitive Notes in bearer form, with all unmatured Coupons appertaining thereto, purchased by or on behalf of the Issuer (other than those purchased in the ordinary course of the business of dealing in securities) will be cancelled forthwith.

## **7 Payments and Exchange of Talons**

### **(a) Payments in respect of definitive Bearer Notes**

(1) Payments of principal and interest (if any) in respect of definitive Bearer Notes (if issued) will (subject as provided below) be made against surrender (or, in the case of part payment only, presentation and endorsement) of definitive Bearer Notes or Coupons (which expression, in this Condition and Condition 10, shall not include Talons), as the case may be, at any specified office of any Paying Agent outside New Zealand.

(2) All payments of principal and interest with respect to definitive Bearer Notes will be made outside New Zealand and (except as otherwise provided in paragraph (d) below) the United States. Payments in any currency other than euro in respect of definitive Bearer Notes will (subject as provided below) be made by transfer to an account (in the case of payment in Yen to a non-resident of Japan, a non-resident account) in the Specified Currency maintained by the payee with a bank in the principal financial centre of the country of the Specified Currency (or, if the Specified Currency is New Zealand dollars or U.S. dollars, in London or another place outside New Zealand and (except as otherwise provided in paragraph (d) below) the United States) provided that if at any time such payments cannot be so made, then payments will be made outside New Zealand and (except as otherwise provided in paragraph (d) below) the United States in such other manner as the Issuer or, as the case may be, the Guarantor may determine and notify in accordance with Condition 16. Payments in euro in respect of definitive Bearer Notes will be made by transfer to a euro account outside New Zealand and (except as otherwise provided in paragraph (d) below) the United States (or any other account outside New Zealand and (except as otherwise provided in paragraph (d) below) the United States to which euro may be credited or transferred) specified by the payee.

### **(b) Payments in respect of Registered Notes**

Payments of principal in respect of Registered Notes (whether or not in global form) will (subject as provided in this Condition) be made against presentation and surrender of such Registered Notes at the specified office outside New Zealand of the Registrar by a cheque in the Specified Currency drawn on a bank in the principal financial centre of the country of the Specified Currency. Payments of interest in respect of Registered Notes will (subject as provided in this Condition) be made by a cheque in the Specified Currency drawn on a bank in the principal financial centre of the country of the Specified Currency and posted on the business day in the city in which the Registrar has its specified office immediately preceding the relevant due date to the holder (or to the first named of joint holders) of the Registered Note appearing on the register of holders of the Registered Notes maintained by the Registrar (the "Register") (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "Record Date") at his address shown on the register on the Record Date. Upon application of the holder to the specified office of the Registrar not less than three business days in the city in which the Registrar has its specified office before the due date for any payment in respect of a Registered Note, the payment of principal and/or interest may be made (in the case of payment of principal against presentation and surrender of the relevant

Registered Note as provided above) by transfer on the due date to an account in the Specified Currency maintained by the payee with a bank in the principal financial centre of the country of the Specified Currency subject to the provisions of the following two sentences. If the Specified Currency is New Zealand dollars, payment will be made (in the case of a transfer to a bank account) by transfer to an account in London or another place outside New Zealand and, if the Specified Currency is Yen, payment will be made (in the case of payment to a non-resident of Japan) by cheque drawn on, or by transfer to a non-resident account. If the Specified Currency is euro, payment will be made in euro to a euro account outside New Zealand (or any other account outside New Zealand to which euro may be credited or transferred, as the case may be), specified by the payee.

(c) Payments in respect of global Bearer Notes

- (1) Payments of principal and interest (if any) in respect of Notes represented by any global Bearer Note will (subject as provided below) be made in the manner specified in the relevant global Note against presentation and endorsement or surrender, as the case may be, of such global Note at the specified office of any Paying Agent outside New Zealand. A record of each payment made on such global Note, distinguishing between any payment of principal and interest, will be made on such global Note by the Paying Agent to which such global Note is presented for the purpose of making such payment, and such record shall (save in the case of manifest error) be conclusive evidence that the payment in question has been made.
- (2) The holder of a global Bearer Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of Notes must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of the relevant global Note. Subject to Condition 12, no person other than the holder of a global Bearer Note shall have any claim against the Issuer or, as the case may be, the Guarantor in respect of any payments due on that global Note.

(d) Payments of interest in U.S. dollars in respect of Bearer Notes

Notwithstanding the foregoing, payments of interest in U.S. dollars in respect of Bearer Notes will only be made at the specified office of any Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and District of Columbia and its possessions)) (1) if (A) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment at such specified offices outside the United States of the full amount of interest on the Bearer Notes in the manner provided above when due, (B) payment of the full amount of such interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (C) such payment is then permitted under United States law and (2) at the option of the relevant holder if such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(e) Payments subject to applicable laws

Payments in respect of the Notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or any official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law

implementing such an intergovernmental agreement) (collectively referred to as "FATCA"), and any such amounts withheld or deducted will be treated as paid for all purposes under the Notes, and no additional amounts will be paid on or in respect of the Notes with respect to any such withholding or deduction.

(f) Unmatured Coupons and Talons

(1) Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined in subparagraph (2)) and save as provided in Condition 7(e)) should be presented for redemption together with all unmaturing Coupons (which expression shall include Coupons falling to be issued on exchange of Talons which will have matured on or before the relevant redemption date) appertaining thereto, failing which, the amounts of any missing unmaturing Coupons (or, in the case of payment of principal not being made in full, that proportion of the aggregate amount of such missing unmaturing Coupons that the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Any amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupons at any time in the period expiring 10 years after the Relevant Date (as defined in Condition 9) for the payment of such principal, whether or not such Coupon would otherwise have become void pursuant to Condition 10 or, if later, five years from the due date for payment of such Coupon. Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmaturing Talons (if any) appertaining thereto will become void and no further Coupons in respect of any such Talons will be made or issued, as the case may be.

(2) Upon the due date for redemption of any Floating Rate Note or Long Maturity Note in definitive bearer form, any unmaturing Coupons or Talons relating to such Note (whether or not attached) shall become void and no payment or exchange, as the case may be, shall be made in respect of them. Where any such Note is presented for redemption without all unmaturing Coupons or Talons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require. A Long Maturity Note is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Fixed Interest Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

(g) Payments due on non-business days

If any date for payment of principal, interest or any other payment in respect of any Bearer Note or Coupon is not a business day, then the holder thereof shall not be entitled to payment at the place of presentation of the amount due until either (A) if the Payment Business Day Convention is specified as Following Business Day Convention in the applicable Final Terms, the next following business day or (B) if the Payment Business Day Convention is specified as Modified Following Business Day Convention in the applicable Final Terms, the next day which is a business day unless it would thereby fall into the next calendar month, in which event the holder shall be entitled to such payment at the place of presentation on the immediately preceding business day (in each case, unless otherwise specified in the applicable Final Terms) and shall not be entitled to any interest or other sum in respect of any such postponed payment.

If any date for payment of principal, interest or any other amount in respect of any Registered Note is not a business day, then the holder thereof shall not be entitled to payment, in the case of principal, at the place of presentation or, in the case of interest or any other amount, by transfer to an account specified by the holder until either (A) if Following Business Day Convention is specified in the applicable Final Terms, the next following business day or (B) if Modified Following Business Day Convention is specified in the applicable Final Terms,



the next day which is a business day unless it would thereby fall into the next calendar month, in which event the holder shall be entitled to payment at the place of presentation or to such account as applicable on the immediately preceding business day (in each case, unless otherwise specified in the applicable Final Terms) and shall not be entitled to any interest or other sum in respect of any such postponed payment.

In this Condition “business day” means, subject as provided in the applicable Final Terms:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) in the case of Notes in definitive form only, the relevant place of presentation; and
  - (B) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(h) Payment of accrued interest

If the due date for redemption of any interest bearing Bearer Note in definitive form is not a due date for the payment of interest relating thereto, interest accrued in respect of such Note from, and including, the last preceding due date for the payment of interest (or, if none, from the Interest Commencement Date) will be paid only against surrender (or, in the case of part payment, presentation and endorsement) of such Note.

(i) Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Paying Agent in Luxembourg (or any other Paying Agent notified by the Issuer to the Noteholders in accordance with Condition 16 for the purposes of this paragraph) in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to, and including, the final date for the payment of interest due in respect of the Bearer Note in definitive form to which it appertains) a further Talon, subject to the provisions of Condition 10. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the Coupon sheet in which that Talon was included on issue matures.

(j) Initial Paying Agents

The names of the initial Principal Paying Agent and the other initial Paying Agents and their initial specified offices in respect of this Series of Notes are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer may at any time vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that it will, so long as any of the Notes of this Series is outstanding, maintain:

- (i) a Principal Paying Agent,
- (ii) a Paying Agent (which may be the Principal Paying Agent) in a jurisdiction within Europe other than the United Kingdom,

- (iii) so long as any Notes of this Series are admitted to the official list of the UK Listing Authority and to trading on the London Stock Exchange plc's market for listed securities or on another stock exchange, a Paying Agent (which may be the Principal Paying Agent) having a specified office in London or other place as may be required by that stock exchange and
- (iv) a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in paragraph (d) of this Condition. Notice of any variation, termination or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 16.

- (k) All payments in respect of the Notes in RMB will be made solely by credit to a RMB account maintained by the payee at a bank in Hong Kong in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of RMB in Hong Kong).
- (l) RMB Currency Event

If "RMB Currency Event" is specified in the applicable Final Terms and a RMB Currency Event, as determined by the Issuer or the Guarantor, as the case may be, acting in good faith, exists on a date for payment of any amount in respect of any Note or Coupon, the Issuer's or the Guarantor's obligation to make a payment in RMB under the terms of the Notes or the Guarantee, as the case may be, may be replaced by an obligation to pay such amount in the Relevant Currency converted using the Spot Rate for the relevant Rate Calculation Date.

Upon the occurrence of a RMB Currency Event, the Issuer or the Guarantor, as the case may be, shall give notice as soon as practicable to the Noteholders in accordance with Condition 16 stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

For the purpose of this Condition 7(l) and unless stated otherwise in the applicable Final Terms: "Governmental Authority" means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

"Rate Calculation Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Auckland, Wellington, Hong Kong, London and New York City;

"Rate Calculation Date" means the day which is two Rate Calculation Business Days before the due date of the relevant payment under the Notes or the Guarantee, as the case may be;

"Relevant Currency" means U.S. dollars or such other currency as may be specified in the applicable Final Terms;

"RMB Currency Events" means any one of RMB Illiquidity, RMB Non-Transferability and RMB Inconvertibility;

"RMB Illiquidity" means the general RMB exchange market in Hong Kong becomes illiquid as a result of which the Issuer or the Guarantor, as the case may be, cannot obtain sufficient RMB in order to make a payment under the Notes or the Guarantee, as the case may be, as determined by the Issuer or the Guarantor, as the case may be, in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active on the RMB exchange market in Hong Kong;

“RMB Inconvertibility” means the occurrence of any event that makes it impossible for the Issuer or the Guarantor, as the case may be, to convert any amount due in respect of the Notes or the Guarantee, as the case may be, into RMB on any payment date at the general RMB exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer or the Guarantor, as the case may be, to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer or the Guarantor, as the case may be, due to an event beyond the control of the Issuer, to comply with such law, rule or regulation);

“RMB Non-Transferability” means the occurrence of any event that makes it impossible for the Issuer or the Guarantor, as the case may be, to deliver RMB between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong (including where the RMB clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility is due solely to the failure of the Issuer or the Guarantor, as the case may be, to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer or the Guarantor, as the case may be, due to an event beyond its control, to comply with such law, rule or regulation);

“Spot Rate” means, unless specified otherwise in the applicable Final Terms, the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter RMB exchange market in Hong Kong for settlement in two Rate Calculation Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Rate Calculation Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including pricing information obtained from the RMB non-deliverable exchange market in Hong Kong or elsewhere and the CNY/U.S. dollar exchange rate in the PRC domestic foreign exchange market.

**8** [This Condition is no longer applicable]

## **9 Taxation**

All payments of, or in respect of, principal and interest on the Notes of this Series will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“Taxes”) imposed or levied by or on behalf of any Taxing Jurisdiction unless such Taxes are required by law to be withheld or deducted. In that event, the Issuer or the Guarantor will pay such additional amounts of, or in respect of, principal and/or interest as will result (after deduction of the Taxes) in payment to the holders of the Notes of this Series and/or the Coupons relating thereto of the amounts which would otherwise have been payable in respect of the Notes of this Series or, as the case may be, Coupons relating thereto, except that no such additional amounts shall be payable with respect to any Note of this Series or Coupon relating thereto presented for payment:

- (a) by or on behalf of a holder who is subject to such Taxes in respect of such Note or Coupon by reason of his being connected with a Taxing Jurisdiction other than by reason only of the holding of the Note or Coupon or the receipt of payment thereon;
- (b) with respect to any withholding or deduction for or on account of New Zealand resident withholding tax;

- (c) by or on behalf of a holder if such withholding or deduction may be avoided (and has not been so avoided) by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in New Zealand, unless such holder proves that he is not entitled so to comply or to make such declaration or claim;
- (d) by or on behalf of a holder who is an associated person of the Issuer for New Zealand income tax purposes;
- (e) more than 30 days after the Relevant Date, except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on the last day of such period of 30 days;
- (f) where such withholding or deduction is imposed on a payment and is required to be made pursuant to Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, or providing for measures equivalent to those laid down in, such Directive; or
- (g) by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the European Union which does not impose such withholding or deduction.

For the avoidance of doubt, in no event will the Issuer, Paying Agent or any other person be required to pay any additional amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to FATCA.

The “Relevant Date” in relation to any Note or Coupon of this Series means whichever is the later of:

- (i) the date on which payment in respect of such Note or Coupon first becomes due and payable; or
- (ii) if the full amount of the moneys payable in respect of such Note or Coupon has not been duly received by the Principal Paying Agent on or prior to such date, the date on which notice is duly given to the Noteholders of this Series in accordance with Condition 16 that such moneys have been so received.

The “Taxing Jurisdiction” in relation to any Note or Coupon of this Series means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or New Zealand or any political subdivision or any authority thereof or therein having power to tax.

References in these Conditions to principal and interest shall be deemed also to refer (as appropriate) (i) to any additional amounts which may be payable under this Condition 9, (ii) in relation to Zero Coupon Notes to the Amortised Face Amount and (iii) to any premium which may be payable in respect of the Notes.

Where used in this Condition, “interest” means interest (as defined for New Zealand income tax purposes in relation to withholding taxes), which under current legislation includes the excess of the redemption amount over the issue price of any Note as well as coupon interest paid on such Note.

## **10 Prescription**

Claims for payment of principal under the Notes (whether in bearer or registered form) shall be prescribed upon the expiry of 10 years, and claims for payment of interest (if any) in respect of the Notes (whether in bearer or registered form) shall be prescribed upon the expiry of five years, in each case from the Relevant Date (as defined in Condition 9) therefor subject to the provisions of Condition 7. There shall not be included in any Coupon sheet issued on

exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.

## **11 Events of Default**

If any one or more of the following events (each an “Event of Default”) shall occur and be continuing:

- (a) the Issuer or the Guarantor fails to pay the principal of the Notes of this Series when due or fails to pay any interest due thereon within 14 days of the due date; or
- (b) the Issuer or the Guarantor defaults in performance or observance of or compliance with any of its other undertakings set out in the Notes of this Series or the Guarantee which default is incapable of remedy or which, if capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Issuer and the Guarantor by a Noteholder; or
- (c) [This paragraph is no longer applicable];
- (d) the Issuer or the Guarantor becomes insolvent or it is unable to pay its debts as they mature or the Issuer or the Guarantor applies for or consents to or suffers the appointment of a liquidator or receiver of the Issuer or the Guarantor or the whole or any part of the undertaking, property, assets or revenues of the Issuer or the Guarantor or takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors; or
- (e) any law is passed the effect of which is to dissolve the Issuer or the Guarantor or the Guarantor ceases to carry on a general banking business in New Zealand or the Guarantor ceases to be authorised to carry on a general banking business within New Zealand; or
- (f) the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect,

then any holder of a Note may, by written notice to the Issuer or the Guarantor at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at the amount provided in, or calculated in accordance with, Condition 6(f), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

**12** [This Condition is no longer applicable].

## **13 Meetings of Noteholders; Modifications of Conditions; Waiver**

The Agency Agreement contains provisions for convening meetings of holders of the Notes of this Series to consider any matters affecting their interests, including modifications of the terms and conditions of the Notes of this Series and the Agency Agreement. Any such modification must be authorised by an Extraordinary Resolution which is defined in the Agency Agreement to mean a resolution passed by a majority consisting of not less than three-quarters of the votes cast at a meeting of the holders of the Notes of this Series duly convened and held. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in nominal amount of the Notes of this Series for the time being outstanding or, at any adjourned meeting, one or more persons being or representing the holders of the Notes of this Series whatever the nominal amount of Notes of this Series so held or represented; provided that at any meeting the business of which includes the modification of certain terms, including any reduction or cancellation of, or modification of the method of calculating, the amount payable in respect of the Notes of this Series, any modification of, or of the method of calculating, the date of

payment of principal or interest in respect of the Notes of this Series or any modification of the currency of payment of the Notes of this Series or the Coupons relating thereto, the quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting, not less than one-third, in nominal amount of Notes of this Series for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than 75 per cent. of the votes cast on such resolution or (ii) a resolution in writing signed by or on behalf of all the holders of the Notes, shall, in each case, be effective as an Extraordinary Resolution of the holders of the Notes. A resolution duly passed by the holders of the Notes of this Series will be binding on all the holders of the Notes of this Series (whether present at any meeting and whether or not they voted on the resolution) and on all the holders of Coupons relating thereto.

The Principal Paying Agent and the Issuer may agree without the consent of the holders of the Notes of this Series or the holders of Coupons relating thereto to any modifications to the terms and conditions of the Notes of this Series or the Coupons relating thereto or to the provisions of the Agency Agreement which in the opinion of the Issuer are of a formal, minor or technical nature, are made to correct a manifest error or (not being such a modification as is mentioned in the proviso to the third sentence of the preceding paragraph) are not prejudicial to the interests of the holders of the Notes of this Series.

## **14 Substitution**

### **(a) Substitution of the Issuer**

- (1) The Issuer may, without the consent or sanction of the Noteholders, the Couponholders or the Talonholders, agree to the substitution in place of the Issuer as the principal debtor under the Notes of the Guarantor or any other corporation (hereinafter in this Condition referred to as the “Substituted Company”) provided that:
  - (i) a deed poll and such other documents (if any) shall be executed by the Issuer and the Substituted Company as may be necessary to give full effect to the substitution (together, the “Documents”) and (without limiting the generality of the foregoing) pursuant to which the Substituted Company shall undertake in favour of each Noteholder, Couponholder and Talonholder to be bound by the Conditions and the provisions of the Agency Agreement and the Deed of Covenant as if the Substituted Company had been named in the Notes, the Agency Agreement and the Deed of Covenant as the principal debtor in respect of the Notes in place of the Issuer (or any previous substitute);
  - (ii) if the Substituted Company is not the Guarantor, a deed poll and such other documents (if any) shall be executed pursuant to which the Guarantor shall unconditionally and irrevocably guarantee (the “New Guarantee”) in favour of each Noteholder and Couponholder the payment of all sums payable by the Substituted Company as such principal debtor on the same terms mutatis mutandis as the Guarantee;
  - (iii) each stock exchange or market on which the Notes are listed shall have confirmed in writing that following the proposed substitution of the Substituted Company the Notes will continue to be listed on such stock exchange or market;
  - (iv) without prejudice to the generality of paragraphs (b)(1)(i) and (ii) of this Condition, where the Substituted Company is incorporated, domiciled or resident in a territory other than the United Kingdom or New Zealand an undertaking or covenant shall be given by the Substituted Company in terms

corresponding to the provisions of Condition 10 with the addition to or substitution of the references to the United Kingdom or New Zealand or any political sub-division thereof or authority thereof or therein having power to tax by references to that other territory or any political sub-division thereof or any authority thereof or therein having power to tax in which the Substituted Company is incorporated, domiciled or resident and Condition 6(b) shall be modified so that references to such latter territory are added to or substituted for the United Kingdom or New Zealand;

- (v) the Documents shall contain a warranty and representation by the Substituted Company and (if the Substituted Company is not the Guarantor) the Guarantor that (A) the Substituted Company and (if the Substituted Company is not the Guarantor) the Guarantor have obtained all necessary governmental and regulatory approvals and consents necessary for or in connection with the assumption by the Substituted Company of liability as principal debtor in respect of, and of its obligations under, the Documents and the Notes and for the giving of the New Guarantee (if applicable); (B) such approvals and consents are at the time of substitution in full force and effect; and (C) the obligations assumed by the Substituted Company under the Documents (and by the Guarantor under the New Guarantee (if applicable)) are legal, valid and binding in accordance with their respective terms;
- (vi) the Issuer shall have delivered or procured the delivery to the Principal Paying Agent and the Registrar a copy of a legal opinion addressed to the Issuer, the Substituted Company and (if the Substituted Company is not the Guarantor) the Guarantor from a leading firm of lawyers in the country of incorporation of the Substituted Company to the effect that the Documents constitute legal, valid and binding obligations of the Substituted Company, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Company for the Issuer and to be available for inspection by Noteholders, Couponholders and Talonholders at the specified offices of the Principal Paying Agent and the relevant Registrar;
- (vii) the Issuer or the Guarantor shall have delivered or procured the delivery to the Principal Paying Agent and the Registrar a copy of a legal opinion addressed to the Issuer, the Substituted Company and (if the Substituted Company is not the Guarantor) the Guarantor from a leading firm of New Zealand lawyers to the effect that the Documents (including the New Guarantee (if applicable)) constitute legal, valid and binding obligations of the Issuer and (if the Substituted Company is not the Guarantor) the Guarantor, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Company for the Issuer and to be available for inspection by Noteholders, Couponholders and Talonholders at the specified offices of the Principal Paying Agent and the relevant Registrar;
- (viii) the Issuer or the Guarantor shall have delivered or procured the delivery to the Principal Paying Agent and the Registrar a copy of a legal opinion addressed to the Issuer, the Substituted Company and (if the Substituted Company is not the Guarantor) the Guarantor from a leading firm of English lawyers to the effect that the Documents (including the New Guarantee (if applicable)) constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Company for the Issuer and to be available for inspection by Noteholders, Couponholders and

Talonholders at the specified offices of the Principal Paying Agent and the relevant Registrar; and

- (ix) if the Substituted Company is incorporated in a jurisdiction other than England and Wales, it shall have appointed a process agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes or the Documents.
- (2) Upon the execution of the Documents (including the New Guarantee (if applicable)) and compliance with the requirements referred to in paragraph (a)(1) of this Condition, the Substituted Company shall be deemed thenceforth to be named in the Notes as principal debtor in place of the Issuer (or of any previous substitute under these provisions), and the Notes shall thereupon be deemed to be amended in such manner as shall be necessary to give effect thereto. The execution of the Documents and compliance with such requirements shall operate to release the Issuer (or such previous substitute as aforesaid) from all of its obligations in respect of the Notes.
  - (3) The Documents (including the New Guarantee (if applicable)) shall be deposited with and held by the Principal Paying Agent and the Registrar for so long as any Note remains outstanding and for so long as any claim made against the Substituted Company or the Guarantor by any Noteholder, Couponholder or Talonholder in relation to the Notes or the Documents (including the New Guarantee (if applicable)) shall not have been finally adjudicated, settled or discharged. The Substituted Company and (if the Substituted Company is not the Guarantor) the Guarantor shall acknowledge in the Documents the right of every Noteholder, Couponholder and Talonholder to the production of the Documents (including the New Guarantees (if applicable)) for the enforcement of any of the Notes or the Documents (including the New Guarantees (if applicable)).
  - (4) Not later than 14 days after the execution of the Documents (including the New Guarantee (if applicable)) and compliance with the requirements referred to in paragraph (a)(1) of this Condition, the Substituted Company shall give notice thereof to the Noteholders in accordance with Condition 16.
- (b) Substitution of the Guarantor
- (1) The Guarantor may, without the consent or sanction of the Noteholders, the Couponholders or the Talonholders, agree to the substitution in place of the Guarantor as guarantor in respect of the Notes of any other corporation (hereinafter in this Condition referred to as the “Substituted Guarantor”) provided that:
    - (i) a deed poll and such other documents (if any) shall be executed pursuant to which the Substituted Guarantor shall unconditionally and irrevocably guarantee (the “New Guarantee”) in favour of each Noteholder and Couponholder the payment of all sums payable by the Issuer in respect of the Notes in each case on the same terms *mutatis mutandis* as the Guarantee;
    - (ii) any applicable solicited credit rating of the Substituted Guarantor is the same or higher than any such rating of the Guarantor immediately prior to the substitution;
    - (iii) each stock exchange or market on which the Notes are listed shall have confirmed in writing that following the proposed substitution of the Substituted Guarantor the Notes will continue to be listed on such stock exchange or market;
    - (iv) the New Guarantee shall contain a warranty and representation by the Substituted Guarantor that (A) the Substituted Guarantor has obtained all necessary governmental and regulatory approvals and consents necessary for



- or in connection with the giving of the New Guarantee; (B) such approvals and consents are at the time of substitution in full force and effect; and (C) the obligations assumed by the Substituted Guarantor under the New Guarantee are legal, valid and binding in accordance with their respective terms;
- (v) the Guarantor shall have delivered or procured the delivery to the Principal Paying Agent and the Registrar a copy of a legal opinion addressed to the Guarantor and the Substituted Guarantor from a leading firm of lawyers in the country of incorporation of the Substituted Guarantor to the effect that the New Guarantee constitutes legal, valid and binding obligations of the Substituted Guarantor, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Guarantor for the Guarantor and to be available for inspection by Noteholders, Couponholders and Talonholders at the specified offices of the Principal Paying Agent and the relevant Registrar;
  - (vi) the Guarantor shall have delivered or procured the delivery to the Principal Paying Agent and the Registrar a copy of a legal opinion addressed to the Guarantor and the Substituted Guarantor from a leading firm of English lawyers to the effect that the New Guarantee constitutes legal, valid and binding obligations of the Substituted Guarantor under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Guarantor for the Guarantor and to be available for inspection by Noteholders, Couponholders and Talonholders at the specified offices of the Principal Paying Agent and the relevant Registrar; and
  - (vii) if the Substituted Guarantor is incorporated in a jurisdiction other than England and Wales, it shall have appointed a process agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the New Guarantee.
- (2) Upon the execution of the New Guarantee and compliance with the requirements referred to in paragraph (b)(1) of this Condition, the Substituted Guarantor shall be deemed thenceforth to be named in the Notes as guarantor in place of the Guarantor (or of any previous substitute under these provisions), and the Notes shall thereupon be deemed to be amended in such manner as shall be necessary to give effect thereto. The execution of the New Guarantee and compliance with such requirements shall operate to release the Guarantor (or such previous substitute as aforesaid) from all of its obligations in respect of the Guarantee.
  - (3) The New Guarantee shall be deposited with and held by the Principal Paying Agent and the Registrar for so long as any Note remains outstanding and for so long as any claim made against the Substituted Guarantor by any Noteholder, Couponholder or Talonholder in relation to the Notes or the New Guarantee shall not have been finally adjudicated, settled or discharged. The Substituted Guarantor shall acknowledge in the New Guarantee the right of every Noteholder, Couponholder and Talonholder to the production of the New Guarantees for the enforcement of any of the Notes or the New Guarantee.
  - (4) Not later than 14 days after the execution of the New Guarantee and compliance with the requirements referred to in paragraph (b)(1) of this Condition, the Issuer shall give notice thereof to the Noteholders in accordance with Condition 16.

## **15 Replacement of Notes and Coupons**

If any Note (including a global Note) or Coupon is mutilated, defaced, stolen, destroyed or lost, it may be replaced at the specified office of the Principal Paying Agent on payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacement Notes or Coupons will be issued.

## **16 Notices**

- (a) All notices regarding Registered Notes of this Series (if any) will be valid if mailed to the holders (or the first named of joint holders) at their respective addresses in the register of holders and will be deemed to have been given on the fourth weekday after the date of mailing.
- (b) All notices regarding the Bearer Notes of this Series (if any) will be valid if published in one leading London daily newspaper (which is expected to be the Financial Times) or, if this is not practicable, one other English language daily newspaper with general circulation in Europe and shall, if published more than once, be deemed to be given on the date of the first such publication. Holders of Coupons appertaining to Bearer Notes in definitive form of this Series will be deemed for all purposes to have notice of the contents of any notice given to the holders of the Bearer Notes of this Series in accordance with this paragraph (b).
- (c) Until such time as any definitive Notes are issued, there may, so long as all the global Notes for this Series are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted, in relation only to this Series, for such publication as aforesaid the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg, as appropriate, for communication by it or them to the holders of the Notes of this Series. Any such notice shall be deemed to have been given to the holders of the Notes of this Series on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg, as the case may be.
- (d) Notwithstanding paragraph (b) of this Condition 16, in any case where the identity and addresses of all the holders of Bearer Notes in definitive form is known to the Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and will be deemed to have been given when received at such addresses.
- (e) Notices to be given to the Issuer by any holder of Notes under Condition 6(d) shall be in writing and given by lodging the same, together with the relative definitive Note or Notes, with the Principal Paying Agent (in the case of definitive Bearer Notes) or the Registrar (in the case of definitive Registered Notes). Whilst any Notes are represented by a global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, such notices may be given by a holder of any Notes so represented to the Principal Paying Agent or the Registrar via Euroclear and/ or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent or the Registrar, as the case may be, and Euroclear and/or Clearstream, Luxembourg may approve for this purpose.

## **17 Further Issues**

The Issuer shall be at liberty from time to time without the consent of the holders of the Notes of this Series or the Coupons (if any) relating thereto to create and issue further Notes ranking *pari passu* in all respects (or in all respects save for the Issue Date or Interest Commencement Date, as the case may be, the Issue Price and the amount of the first payment of interest (if any) on such further Notes) and so that the same shall be consolidated and form a single series with the outstanding Notes of a particular Series (including the Notes of this Series).

## **18 Disapplication of Contracts (Rights of Third Parties) Act 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of any Note but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **19 Governing Law**

The Notes of this Series, Coupons and Talons (if any) relating thereto, the Agency Agreement, the Deed of Covenant, the Guarantee and any non-contractual obligations arising out of or in connection with the Notes of this Series, Coupons and Talons (if any) relating thereto, the Agency Agreement, the Deed of Covenant and the Guarantee are governed by, and will be construed in accordance with, English law.

The courts of each of England and New Zealand are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes of this Series and Coupons and Talons relating thereto, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes of this Series and Coupons and Talons relating thereto and accordingly any legal action or proceedings arising out of or in connection with the Notes of this Series and Coupons and Talons relating thereto and any non-contractual obligations arising out of or in connection with the Notes of this Series and Coupons and Talons relating thereto may be brought in such courts.

Each of the Issuer and the Guarantor agrees that the service of process in any action which may be instituted in England based on any of such Notes, Coupons or Talons (including any action relating to any non-contractual obligations arising out of or in connection with any of such Notes, Coupons or the Talons) may be served on it by being delivered to ASB Finance Limited, London Branch (currently at Senator House, 85 Queen Victoria Street, London EC4V 4HA).

## **20 CMU Notes**

Where the Notes are CMU Notes, the Conditions shall be modified as specified in this Condition 20 and to the extent any provision of the Conditions is otherwise inconsistent with the terms of this Condition 20 it shall be deemed to have been modified accordingly.

References in the Conditions to the Principal Paying Agent, the Registrar, a Paying Agent and a Transfer Agent shall, unless the context otherwise requires, be construed as a reference to the CMU lodging and paying agent appointed in relation to the CMU Notes as specified in the applicable Final Terms (the “CMU Lodging and Paying Agent”).

References in the Conditions to Euroclear and Clearstream, Luxembourg shall, unless the context otherwise requires, be construed as a reference to the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the “CMU Service”).

In this Condition “CMU Notes” means Notes denominated in any currency which the CMU Service accepts for settlement from time to time that are, or are intended to be, initially cleared through the CMU Service.

### *Payments*

If a Note is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the rules of the CMU Service (the “CMU Rules”) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the CMU Rules) or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the

records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) (the “CMU Accountholders”).

The CMU Accountholders at the direction of the bearer or the registered holder of a Note held through the CMU Service shall be the only persons entitled to receive payments in respect of such Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, such CMU Accountholder, in respect of each amount so paid. Each of the persons shown in the records of the CMU Service as the beneficial holder of a particular nominal amount of CMU Notes must look solely to the CMU Service for its share of each payment so made by the Issuer or, as the case may be, the Guarantor to the order of the bearer or the registered holder of such Note.

**Use of Proceeds**

The net proceeds from each issue of Notes will be on-lent to the Guarantor, to be applied by the Guarantor for its general corporate purposes, which include making a profit. If, in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## **ASB Finance Limited**

ASB Finance is a wholly owned subsidiary of ASB, incorporated for the purpose of raising funds from offshore debt markets to finance operations of ASB.

ASB Finance was incorporated in New Zealand with limited liability on 18 October 1994 pursuant to the Companies Act 1993 (New Zealand) with the company number 652448. ASB Finance is governed by, and operates within the ambit of and as required by, its constitution, the Companies Act 1993 (New Zealand), and the Financial Reporting Act 2013 (which constitute the corporate governance regime of New Zealand applicable to ASB Finance).

The London branch of ASB Finance was established in July 2006. The primary activities of the London branch of ASB Finance are to raise funds from offshore debt markets under approved debt issuance programmes and on-lend those funds to ASB.

ASB Finance does not have an audit committee.

As at the date of this Programme Circular, ASB Finance has been rated AA- by S&P and Aa3 by Moody's.

## **Directors of ASB Finance Limited**

The directors of ASB Finance, the business address of each of whom should be regarded for the purposes of this Programme Circular as being the same as the registered office of ASB and their principal outside activities, where significant, are set out below. The directors of ASB Finance may change from time to time.

### **N C (Nigel) Annett**

Mr Annett is the General Manager Treasury of ASB. He joined ASB in January 2011 after 11 years with Australia and New Zealand Banking Group Limited.

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

### **K C (Kevin) McDonald**

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

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

### **J E (Jon) Raby**

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

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

ASB Finance has in place procedures whereby any conflicts between the directors' duties to the company and their private interests are declared and managed. As at the date of this Programme Circular, there are no actual or potential conflicts of interest between the directors' duties to ASB Finance and their private interests and/or other duties.

## **ASB Bank Limited**

### **Overview**

ASB is a full service, nationally operating bank. ASB is a wholly owned subsidiary of ASB Holdings Limited which in turn is 100 per cent. owned by CBA.

ASB was re-registered pursuant to the Companies Re-registration Act 1993 on 30 June 1995 with the company number 398445. ASB is governed by, and operates within the ambit of and as required by, its constitution, the Companies Act 1993 (New Zealand), the Reserve Bank of New Zealand Act 1989, the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013 (which constitute the corporate governance regime of New Zealand applicable to ASB).

ASB's registered office is at Level 2, ASB North Wharf, 12 Jellicoe Street, Auckland 1010, New Zealand, telephone number +64 9377 8930.

ASB's Board of Directors and management operate autonomously from the Board of Directors and management of CBA.

The RBNZ has set minimum regulatory capital requirements for banks that are consistent with the internationally agreed framework (known as Basel III) developed by the Basel Committee on Banking Supervision. These requirements define what is acceptable as capital and provide for methods of measuring the risks incurred by the ASB Group. ASB must comply with RBNZ minimum capital adequacy ratios under its conditions of registration as a registered bank under the Reserve Bank of New Zealand Act 1989. The ASB Group calculates regulatory capital requirements under Basel III.

As at 31 December 2014, ASB's consolidated Common Equity Tier 1 capital ratio was 9.9 per cent., its Tier 1 capital ratio was 11.0 per cent. and its total capital ratio was 12.0 per cent. against RBNZ requirements of 4.5 per cent., 6 per cent. and 8 per cent. respectively.

Unless otherwise stated, the financial information contained in this section has been extracted without material adjustment from the unaudited consolidated financial statements of ASB for the half year ended 31 December 2014.

As at the date of this Programme Circular, ASB has been rated AA- by S&P, Aa3 by Moody's and AA- by Fitch.

### **History and Recent Developments**

The Auckland Savings Bank was founded in June 1847.

Following deregulation of the banking industry in late 1986, it became a full-service bank offering personal, corporate and business banking services and treasury operations, and changed its name to ASB Bank in August 1987. As a result of the Trustee Banks Restructuring Act 1988, ASB was incorporated on 16 August 1988 in New Zealand.

CBA acquired a 75 per cent. shareholding in February 1989, with the ASB Bank Community Trust retaining a 25 per cent. shareholding.

In 1992 ASB commenced its national expansion programme by moving outside its traditional Auckland and Northland areas of operation.

On 30 March 1999, the direct shareholding of ASB changed from Commonwealth Investments New Zealand Limited (75 per cent.) and ASB Bank Community Trust (25 per cent.) to being a wholly owned subsidiary of ASB Group Limited; ASB Group Limited then being owned by CBA (75 per cent.) and the ASB Bank Community Trust (25 per cent.).

On 3 October 2000, CBA purchased the remaining 25 per cent. of ASB Group Limited from the ASB Bank Community Trust.

Effective 1 July 2001, CBA restructured its New Zealand operations and moved the ultimate New Zealand ownership of ASB to ASB Holdings Limited. Commonwealth Bank of Australia owns 100 per cent. of ASB Holdings Limited, which in turn owns 100 per cent. of ASB.

## **Business Overview**

ASB is a full service, nationally operating bank and financial services company. It provides a seamless, total service that covers a comprehensive range of financial solutions that can be tailored to the needs of approximately 1.3 million international, corporate, business, rural and personal customers.

### *Retail and Business Banking*

The Retail and Business Banking segment of ASB provides services to private individuals and small business customers. In addition, net income is attributed to this segment for the distribution of wealth management products through ASB's retail distribution network.

### *Corporate, Commercial and Rural Banking*

The Corporate, Commercial and Rural segment of ASB provides banking services to corporate, commercial and rural customers. ASB Commercial Banking and ASB Corporate Banking provide banking services to medium and large organisations respectively, while ASB Rural Banking specialises in servicing agri-business clients. The Corporate, Commercial and Rural segment also incorporates ASB's financial markets activities, including financial instruments trading and sales of financial instruments to customers.

### *Wealth and Insurance*

The Wealth and Insurance segment of ASB provides securities, investment and insurance services to customers.

## **Audit & Risk Committee**

ASB has an Audit & Risk Committee comprising all non-Executive Directors: J P Hartley (Chair), S R S Blair, D A K Cohen, M B Coomer, J L Freeman, C M McDowell, R M Spaans and G R Walker.

The Audit & Risk Committee assists the Board in fulfilling its statutory and fiduciary responsibilities relating to the external reporting of financial information, the internal control and the independence and effectiveness of audit.

The responsibilities of the Audit & Risk Committee include the following:

- Assisting the Board in discharging its responsibility to exercise due care, diligence and skill in relation to financial reporting and control, conformance with legal requirements affecting members of the ASB Group, the identification and prudent management of the risks to which members of the ASB Group are or may become subject, and the good governance of the ASB Group in relation to those matters, including the oversight of:
  - the integrity of external financial reporting;
  - financial management;
  - internal control systems;
  - accounting policy and practice;
  - the risk management framework and monitoring compliance with that framework;
  - related party transactions;
  - compliance with applicable laws and standards; and
  - without limiting the generality of the foregoing, compliance with RBNZ standards relating to external financial reporting.



- Ensuring the quality, credibility and objectivity of the accounting process, financial reporting and regulatory disclosure.
- Overseeing and monitoring the performance of the internal and external auditor.
- Providing a structured reporting line for internal audit and ensuring the objectivity and independence of internal audit.
- Considering any CBA group policy relevant to the role of the committee and, if deemed appropriate, adopting or recommending that the Board adopt (as applicable) the policy as a policy of the ASB Group.
- Acting as a formal forum for free and open communication between the Board, the internal and external auditors and management.
- Dealing with any other matter which the Board may from time to time delegate to the committee.

## **Directors of ASB Bank Limited**

The directors of ASB, the business address of each of whom should be regarded for the purposes of this Programme Circular as being the same as that of ASB and their principal outside activities, where significant, are set out below. The directors of ASB may change from time to time.

### **G. R. (Gavin) Walker BCA Chairman**

Mr Walker is the Chairman of ASB.

Mr Walker is a highly regarded and experienced independent director who is currently Chairman of Sovereign Assurance Company Limited, Commonwealth Securities Ltd and Australian Investment Exchange Limited. He also currently serves on the boards of (amongst others) Lion Pty Ltd and Guardians of the New Zealand Superannuation Fund.

He is a former director of Goodman Fielder Limited and the AMP New Zealand Advisory Board.

His previous executive experience includes being Chief Executive of Bankers Trust Investment Bank Australia and Chief Executive of Bankers Trust New Zealand Limited. He is a member of the New Zealand Institute of Directors, the Centre for Independent Studies, the Institute of Finance Professionals and the Australian Institute of Directors.

### **B. J. (Barbara) Chapman Chief Executive Officer & Managing Director**

Ms Chapman commenced as Chief Executive Officer and Managing Director of ASB in April 2011. She has held a number of diverse senior executive roles with the CBA group of companies, having started her career with the CBA group of companies in 1994 as Chief Manager Marketing at ASB. Ms Chapman joined ASB's executive team in 2000 as General Manager Marketing and Human Resources before assuming the role of Head of Retail Banking and Marketing in 2001. In 2004, Ms Chapman moved into the role of Managing Director and Chief Executive Officer of Sovereign Assurance Company Limited.

Ms Chapman then joined the CBA group executive team on secondment in 2006 as head of the Marketing and Communications teams and her most recent executive role at CBA prior to rejoining ASB was as Group Executive, Human Resources and Group Services.

Ms Chapman is a former Chair of Oxfam New Zealand and a former director of Oxfam International. She was also an inaugural Trustee of the New Zealand Equal Opportunities Trust and was its Chair for several years.

### **S.R.S. (Simon) Blair B.A. (Hons), Dip. Bus Admin (Massey), M.Sc. (Oxon)**

Mr Blair was appointed to the ASB Board in October 2012. He is currently Global Consulting Director for CBA. Previously he was the Group Executive International Financial Services for CBA with responsibility for the CBA Group's offshore growth in the Asian region, and for managing the CBA Group's Asian banking and life operations in China, India, Indonesia and Vietnam. Mr Blair joined the CBA Group in 2006 as the Managing Director of Sovereign Assurance Company Limited, the CBA Group's New Zealand life assurance business. Prior to this, he occupied executive management positions in the health and health insurance industries, and held a senior role with the World Bank. Mr Blair is also a director of Sovereign Assurance Company Limited, Bank of Hangzhou Co. Limited and BoCommLife Insurance Company Limited (China).

### **D.A.K. (David) Cohen, B.A. (Sydney), LLB (Sydney)**

Mr Cohen was appointed to the ASB Board in April 2015. He is a CBA Group executive, having joined CBA in 2008. In addition to being responsible for Group Corporate Affairs, he is also the CBA Group General Counsel. Mr Cohen has extensive knowledge of the financial services industry and wide-ranging legal experience. Prior to joining the CBA Group, Mr Cohen was General Counsel of AMP and a partner with Allens Arthur Robinson. He is a member of the Law Council in Australia,

the Australian Corporate Lawyers Association and the Banking and Financial Services Association. He is also a director of the Commonwealth Bank Foundation.

**M.B. (Michael) Coomer B.Eng., Grad. Dip. Digital Comm. (Monash), AMP (Harvard)**

Mr Coomer was appointed to the ASB Board in May 2012. He has held a number of senior global roles in the IT and Financial Services Industry during his more than 40-year career. His experience includes two years as Executive Vice-President, Asia Pacific for Electronic Data Systems and Group Executive, Business and Technology Services for Westpac Australia, a role he held for five years between 2002 and 2007. His other previous experience includes six years as Chief Information Officer of National Australia Bank in Melbourne from 1994 to 2000.

**J. L. (Jane) Freeman B.Com. (Auckland)**

Ms Freeman was appointed to the ASB Board in March 2012. She is a board member of Delegates Group Limited and Foodstuffs North Island Limited. Over the course of her career, she has held the positions of Chair of Pumpkin Patch Limited, General Manager of eSolutions Limited, General Manager of BankDirect and General Manager, Residential Markets for Clear Communications Limited. Early in her career Ms Freeman also headed ASB's Marketing division. Her previous board appointments include Air New Zealand Limited, St George Bank New Zealand Limited and Skycity Entertainment Group Limited.

**J. P. (Jon) Hartley BA (Hons), FCA, ACA, FAICD Deputy Chairman**

Mr Hartley joined the ASB Board in June 2004. He is a qualified accountant with extensive business experience across a wide range of industries in several countries. Mr Hartley has been Chair, Chief Executive Officer or Chief Financial Officer of a number of companies including senior roles with Brierley Investments Limited in New Zealand and the Lend Lease Group in Australia. His current roles include being Chair of VisionFund International Limited, World Vision's global micro finance organisation, Chair of the Wellington City Mission and a director of Chorus Limited and Sovereign Assurance Company Limited. Past directorships include Sky City Entertainment Group Limited (Chair) and Air New Zealand Limited.

**C. M. (Catherine) McDowell B.A. (Hons) (Leeds), MDP (Harvard), Dip. Management (Henley)**

Ms McDowell was appointed to the ASB Board in June 2014. She is a board member of the National Provident Fund. Her more recent previous roles have included Chair of the board of New Zealand Guardian Trust Limited, Managing Director of ANZ Private Wealth and Managing Director, International Banking, at Barclays Bank. Over the course of her career, she has held a number of executive positions within the Australia and New Zealand Banking Group Limited and the Barclays Group.

**R.M. (Michael) Spaans, Grad. Dip. Finance (Waikato)**

Mr Spaans was appointed to the ASB Board in January 2015.

Mr Spaans is currently a director of Fonterra Co-operative Group Limited and several companies that facilitate the creation of new food products or technologies which add value to New Zealand exports. He is also Chair of the Strategy and Investment Committee of DairyNZ, a New Zealand dairy industry body, and he is a member of the New Zealand Institute of Directors.

Mr Spaans' business interests include farming interests in New Zealand, Chile and the United States.

ASB has in place procedures whereby any conflicts between the directors' duties to the company and their private interests are declared and managed. As at the date of this Programme Circular, there are no actual or potential conflicts of interest between the directors' duties to ASB and their private interests and/or other duties.

## **Subscription and Sale**

The Dealers have in an Amended and Restated Programme Agreement dated 24 June 2015 (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the “Programme Agreement”) agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement for any particular purchase will extend to those matters stated under “*Form of the Notes*” and “*Conditions of the Notes*” above. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase Notes under the Programme Agreement in certain circumstances prior to payment to the Issuer.

The selling restrictions agreed between the Issuer and the Dealers are set out in a Schedule of Selling Restrictions dated 24 June 2015 and are summarised below. The restrictions may be amended from time to time by agreement between the Issuer and the Dealers. The selling restrictions are as follows:

### **United States of America**

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bearer Notes are subject to U.S. federal tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Programme Circular as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (A) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (B) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (C) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (A) to (C) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) in relation to any Notes having a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **The Grand Duchy of Luxembourg**

In addition to the cases described in the Public Offer Selling Restriction under the Prospectus Directive selling restrictions in which the Dealers can make an offer of Notes to the public in an EEA Member State (including the Grand Duchy of Luxembourg), the Dealers can also make an offer of Notes to the public in the Grand Duchy of Luxembourg:

- (a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organisations;

- (b) at any time, to legal entities which are authorised or regulated to operate in the financial markets (including, credit institutions, investment firms, other authorised or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities; and
- (c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Luxembourg act dated 10 July, 2005 on prospectuses for securities implementing the Prospectus Directive into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the Commission de surveillance du secteur financier as competent authority in Luxembourg in accordance with the Prospectus Directive.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “FIEA”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### **Australia**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that in connection with the distribution of each Tranche of Notes it:

- (a) will not make any offer or invitation in Australia or any offer or invitation which is received in Australia in relation to the issue, sale or purchase of any Notes unless the offeree is required to pay at least A\$500,000 for the Notes or its foreign currency equivalent (in either case disregarding moneys, if any, lent by the Issuer or other person offering the Notes or its associates (within the meaning of those expressions in Part 6D.2 of the Corporations Act)), or it is otherwise an offer or invitation for which by virtue of section 708 of the Corporations Act no disclosure is required to be made under Part 6D.2 of the Corporations Act and is not made to a retail client (as defined in section 761G or 761GA of the Corporations Act); and
- (b) has not circulated or issued and will not circulate or issue a disclosure document relating to the Notes in Australia or received in Australia which requires lodging under Division 5 of Part 6D.2 or under Part 7 of the Corporations Act.

### **New Zealand**

No action has been taken to permit the Notes to be offered or sold to any retail investor, or otherwise under any regulated offer, in terms of the Financial Markets Conduct Act 2013 of New Zealand (“FMCA”). In particular, no product disclosure statement under the FMCA has been or will be prepared or lodged in New Zealand in relation to the Notes.

Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered and will not directly or indirectly offer, sell or deliver any Note in New Zealand and it will not distribute any offering memorandum or advertisement in relation to any offer of Notes, in New Zealand other than to “wholesale investors” as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the FMCA, being a person who is:

- (i) an “investment business”;
- (ii) “large”; or
- (iii) a “government agency”,

in each case as defined in Schedule 1 to the FMCA. For the avoidance of doubt, Notes may not be offered or transferred to, among others, any “eligible investors” (as defined in clause 41 of Schedule 1 to the FMCA) or to any person who, under clause 3(2)(b) of Schedule 1 to the FMCA, meets the investment activity criteria specified in clause 38 of that Schedule.

In addition, no person may distribute any offering material or advertisement (as defined in the FMCA) in relation to any offer of Notes in New Zealand other than to such persons as referred to in the paragraph above.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes to persons whom it believes to be persons who are resident in New Zealand for New Zealand income tax purposes or who carry on business in New Zealand through a fixed establishment (as defined for New Zealand income tax purposes) in New Zealand, unless such persons certify that they hold a valid certificate of exemption for New Zealand resident withholding tax purposes and provide a New Zealand tax file number to such Dealer (in which event the Dealer shall provide details thereof to the Issuer or to a Paying Agent).

### **Republic of Italy**

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Programme Circular (including the applicable Final Terms) or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “Financial Services Act”) and Article 34-ter, first paragraph, letter b) of Commissione Nazionale per le Società e la Borsa (“CONSOB”) Regulation No. 11971 of 14 May 1999, as amended from time to time (“Regulation No. 11971”); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Programme Circular (including the applicable Final Terms) or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “Banking Act”); and
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

### **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### **Singapore**

This Programme Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (“SFA”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Programme Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the SFA, (b) to a relevant person under Section 275(1) of the SFA or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor;
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) of the SFA or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations.



### **People's Republic of China**

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the People's Republic of China (excluding Hong Kong, Macau and Taiwan) as part of the initial distribution of the Notes.

### **Taiwan**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to be represent and agree that the offering of the Notes has not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be offered or sold in the Republic of China ("Taiwan") through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorised to offer or sell the Notes in Taiwan.

### **General**

No action (other than the approval of the Programme Circular as an approved prospectus for the purposes of Section 85 of the FSMA by the UK Listing Authority) has been taken by the Issuer or any of the Dealers that would, or is intended to, permit an offer of any Notes in any country or jurisdiction where any such action for that purpose is required.

Accordingly, each Dealer has undertaken and each further Dealer appointed under the Programme will be required to undertake that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

Without prejudice to the generality of the preceding paragraph each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as provided in the Programme Agreement, it will obtain any consent, approval or permission which is required for the offer, purchase or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers, purchases or sales and it will comply with all such laws and regulations.

## **General Information**

### **1 Admission of the Notes to the Official List**

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading by the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a global Note or Notes representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of such Notes is expected to be granted on or around 29 June 2015.

### **2 Authorisation**

The establishment of the Programme was authorised by the Managing Director of CBA. ASB Finance's accession to the Programme was authorised by the board of directors of ASB Finance and by the shareholder of ASB Finance. The increase of the size of the Programme to its present limit of U.S.\$70,000,000,000 was authorised by the Chief Financial Officer of CBA, the board of directors of ASB Finance and by the shareholder of ASB Finance.

ASB's guarantee of ASB Finance's payment obligations under the Notes was authorised by the board of directors of ASB.

The update of the Programme has been duly authorised by the board of directors of ASB Finance and by the shareholder of ASB Finance and the General Manager Treasury of ASB (acting under delegated authority).

### **3 Consents**

No authorisations, consents or approvals are required by the Issuer from government agencies or other official bodies in New Zealand in connection with the creation of the Programme, the issue of any Notes thereunder or the execution and delivery (where applicable) of the Programme Agreement, the Guarantee, the Agency Agreement and the Deed of Covenant or the performance by the Issuer or the Guarantor of their respective obligations thereunder.

### **4 Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) during the twelve months immediately preceding the date of this Programme Circular which may have or have had in the recent past a significant effect on the financial position or profitability of (i) the Issuer or (ii) the Guarantor and its subsidiaries taken as a whole.

### **5 Significant or Material Change**

There has been no significant change in the financial or trading position of the Issuer since the date of its audited financial statements prepared to 30 June 2014 and there has been no material adverse change in the prospects of the Issuer since the date of its audited financial statements prepared to 30 June 2014.

There has been no significant change in the financial or trading position of the Guarantor and its subsidiaries, taken as a whole, since the date of its unaudited financial statements prepared to 31 December 2014 and there has been no material adverse change in the prospects of the Guarantor and its subsidiaries, taken as a whole, since the date of its audited financial statements prepared to 30 June 2014.

## **6 Audited Financial Statements**

The Issuer's financial statements for the years ended 30 June 2013 and 30 June 2014 were audited, without qualification, by PricewaterhouseCoopers New Zealand, Chartered Accountants, of 188 Quay Street, Auckland, New Zealand. The auditors of the Issuer have no material interest in the Issuer.

The Guarantor's consolidated financial statements for the years ended 30 June 2013 and 30 June 2014 were audited, without qualification, by PricewaterhouseCoopers New Zealand, Chartered Accountants, of 188 Quay Street, Auckland, New Zealand. The auditors of the Guarantor have no material interest in the Guarantor.

## **7 Euroclear and Clearstream, Luxembourg**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be contained in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg, is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

## **8 Documents Available for Inspection**

Copies of the following documents may be inspected during usual business hours on any business day at the London Branch office of ASB Finance Limited (currently Senator House, 85 Queen Victoria Street, London EC4V 4HA) and at the offices of any Paying Agent in the United Kingdom for so long as the Programme remains in existence:

- (i) the Constitution of the Issuer and of the Guarantor;
- (ii) the Programme Agreement, the Guarantee, the Agency Agreement, the Deed of Covenant and the forms of the Notes, Coupons and Talons;
- (iii) this Programme Circular, any supplementary listing particulars published and each Final Terms relating to Notes admitted to the Official List;
- (iv) the terms and conditions of the notes contained in the Programme Circulars prepared by Commonwealth Bank of Australia, the Issuer and the Guarantor dated 26 September 2001, pages 17 to 36 (inclusive); 26 September 2002, pages 17 to 37 (inclusive); 26 September 2003, pages 17 to 37 (inclusive); 1 June 2004, pages 18 to 38 (inclusive); 21 October 2004, pages 20 to 43 (inclusive); 2 March 2005, pages 20 to 43 (inclusive); 14 October 2005, pages 30 to 54 (inclusive); 13 October 2006, pages 32 to 56 (inclusive); 15 October 2007, pages 47 to 71 (inclusive); 16 October 2008, pages 50 to 75 (inclusive); and 16 October 2009, pages 62 to 87 (inclusive); 14 October 2010, pages 58 to 92 (inclusive), 13 October 2011, pages 62 to 97 (inclusive) and 20 June 2012, pages 65 to 100 (inclusive);
- (v) the terms and conditions of the notes contained in the Programme Circulars prepared by the Issuer and the Guarantor dated 19 June 2013, pages 31 to 58 (inclusive) and 24 June 2014, pages 61 to 86 (inclusive);
- (vi) the auditors' reports and audited annual financial statements for the financial years ended 30 June 2014 and 30 June 2013 of the Issuer;
- (vii) the auditors' reports and audited consolidated and non-consolidated annual financial statements for the financial years ended 30 June 2014 and 30 June 2013 of the Guarantor; and.
- (viii) the December 2014 Disclosure Statement.

## 9 New Zealand Taxation

The following is a general description of certain New Zealand tax considerations as at the date hereof relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in that country or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes, and the consequences of such actions under the tax laws of those countries.

### *New Zealand Resident Withholding Tax*

To the extent New Zealand law requires, a deduction on account of New Zealand resident withholding tax will be made from the payment of interest (as defined for New Zealand income tax purposes in relation to withholding taxes) made by ASB Finance under the Notes (and, in the case of ASB, under the Guarantee) where:

- (a) the recipient is a resident of New Zealand for income tax purposes or such recipient carries on business in New Zealand through a fixed establishment (as defined for New Zealand income tax purposes) in New Zealand (a "New Zealand Holder"); and
- (b) at the time of such payment the New Zealand Holder does not hold a valid certificate of exemption for New Zealand resident withholding tax purposes.

Prior to any interest payment date or the maturity date of any of the Notes, any New Zealand Holder:

- (i) must notify ASB Finance or the Paying Agent (i) that the New Zealand Holder is the holder of a Note and (ii) whether it derives beneficially interest under a Note jointly with any other person; and
- (ii) must notify ASB Finance or the Paying Agent of any circumstances, and provide ASB Finance or the Paying Agent with its New Zealand tax file number and any information (including a copy of a valid certificate of exemption), that may enable ASB Finance (or ASB, as the case may be) to make the payment of interest to the New Zealand Holder without deduction on account of New Zealand resident withholding tax.

The New Zealand Holder must notify ASB Finance (or ASB, as the case may be), prior to any interest payment date or the maturity date of Notes of any change in the New Zealand Holder's circumstances from those previously notified that could affect ASB Finance's (or ASB's, as the case may be) payment obligations in respect of such Note.

### *New Zealand Non-Resident Withholding Tax*

To the extent that New Zealand law requires the Issuer under the Notes or the Guarantor under the Guarantee of Notes issued by the Issuer to deduct New Zealand non-resident withholding tax from the payment of interest in respect of a Note, the Issuer and the Guarantor may, and intend (for so long as the relevant party does not incur any increased cost or detriment from doing so) to reduce the applicable rate of non-resident withholding tax to zero per cent. by registering the Notes or the Programme under which the Notes are issued with the New Zealand Inland Revenue whereby the Notes will be a "registered security" (as defined for New Zealand tax purposes), and paying, on the relevant party's own account, an approved issuer levy (which is currently equal to two per cent. of the relevant interest payment). The approved issuer levy regime will not apply to payments to a "person associated" (as defined for New Zealand income tax purposes) with the Issuer or the Guarantor.

Where interest is paid in respect of a Note and the recipient:

- (a) is not a New Zealand Holder; and

- (b) derives such interest jointly with one or more persons, and one or more of those persons is a New Zealand resident for New Zealand income tax purposes,

the approved issuer levy regime will not apply to the non-New Zealand Holder and (subject to any applicable double tax treaty) the New Zealand non-resident withholding tax imposed will equate to the applicable rate of New Zealand resident withholding tax.

*Indemnity and Other Taxation Matters*

By accepting payment of the full face amount of any Note on its maturity:

- (a) a New Zealand Holder agrees to indemnify ASB Finance and ASB for all purposes in respect of any liability that ASB Finance or, as the case may be, ASB may incur for not deducting any amount from such payment on account of New Zealand resident withholding tax; and
- (b) in the case of a Note under which a person, who is not a New Zealand Holder, derives a beneficial interest jointly with one or more persons, and one or more of those persons is tax resident in New Zealand, such non-New Zealand Holder agrees to indemnify ASB Finance and ASB for all purposes in respect of any liability that ASB Finance or, as the case may be, ASB may incur for not deducting any amount from such payment on account of New Zealand non-resident withholding tax applicable to such non-New Zealand Holder.

A Note holder will not become resident, or deemed to be resident, or domiciled, in New Zealand for New Zealand income tax purposes by reason only of the holding of a Note or the execution, performance, delivery and/or enforcement of the Notes.

New Zealand has no wealth, estate or inheritance taxes, or gift duty. There is no New Zealand goods and services tax (which is a type of value added tax) payable in respect of payments in consideration for the issue of Notes or the transfer of a Note.

No stamp, registration, documentary or other similar tax is payable in New Zealand in respect of the issue of Notes or in relation to any enforcement proceedings in respect of the Notes brought in the Courts of New Zealand, other than the nominal cheque duty that may be required to be paid on any Note were such Note to be enforced in the courts of New Zealand prior to 1 July 2014.

Neither ASB Finance nor ASB makes any statement about the treatment for taxation purposes of payments or receipts in respect of Notes. Persons contemplating acquiring Notes should consult their tax advisers as to the consequences (including the withholding tax consequences) relating to the acquisition, retention and disposition of Notes.

## **10 United Kingdom Taxation**

The following applies only to persons who are the beneficial owners of the Notes and is a summary of the Issuer's understanding of current United Kingdom law and HM Revenue & Customs ("HMRC") published practice relating only to United Kingdom withholding tax treatment of payments of principal and interest in respect of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. Some aspects may not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders (or beneficial owners) of the Notes who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

### **Interest on the Notes**

Payments of interest on the Notes may be made without deduction of or withholding for or on account of United Kingdom income tax provided that the Notes are and continue to be listed on a “recognised stock exchange” within the meaning of section 1005 of the Income Tax Act 2007 (the “Act”). The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes are and remain so listed, interest on the Notes will be payable without withholding or deduction for or on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Notes that have a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

HMRC has powers, in certain circumstances, to obtain information and documents relating to the Notes, including in relation to issues of and other transactions in the Notes, interest, payments treated as interest and other payments derived from the Notes. This may include details of the beneficial owners of the Notes, of the persons for whom the Notes are held and of the persons to whom payments derived from the Notes are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the Notes, persons who make, receive or are entitled to receive payments derived from the Notes and persons by or through whom interest and payments treated as interest are paid or credited. Information obtained by HMRC may be provided to tax authorities in other jurisdictions.

In certain circumstances the information which HMRC has obtained using these powers may be exchanged with tax authorities in other jurisdictions.

## **11 EU savings directive**

Under the Savings Directive, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period

is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive (the "Amending Directive") amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

## **12 The Proposed Financial Transactions Tax**

On 14 February 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common financial transactions tax ("FTT") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## **13 Foreign Account Tax Compliance Withholding**

Certain provisions of United States law commonly known as FATCA impose reporting requirements and a withholding tax of 30 per cent. on, among other things, certain "foreign

passthru payments" by non-U.S. financial institutions ("FFIs") to persons that fail to meet certain certification or reporting requirements. A number of jurisdictions (including the United Kingdom and New Zealand) have entered into, or have agreed in substance to, intergovernmental agreements to facilitate the implementation of FATCA with the United States, which modify the way in which FATCA applies in their jurisdiction. The Issuer believes that its London branch, as issuer of Notes under the Programme, is not currently an FFI.

If an amount in respect of FATCA withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, none of the Issuer, any paying agent or any other person would, pursuant to the Conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding.

FATCA is particularly complex and significant aspects of when and how FATCA will apply remain unclear. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

#### **14 Post-issuance information**

Save as set out in the Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

#### **15 Dealers transacting with the Issuer and the Guarantor**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and the Guarantor and their respective affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Guarantor and their respective affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.



<b>Registered and Head Offices of the Issuer</b>	<b>ASB Finance Limited</b> Level 2 ASB North Wharf 12 Jellicoe Street Auckland 1010 New Zealand	
<b>Registered and Head Offices of the Guarantor</b>	<b>ASB Bank Limited</b> Level 2 ASB North Wharf 12 Jellicoe Street Auckland 1010 New Zealand	
<b>Principal Paying Agent</b>	<b>Deutsche Bank AG, London Branch</b> Winchester House 1 Great Winchester Street London EC2N 2DB England	
<b>Registrar</b>	<b>Deutsche Bank Luxembourg S.A.</b> 2 Boulevard Konrad Adenauer L-1115 Luxembourg Luxembourg	
<b>Paying and Transfer Agents</b>	<b>Deutsche Bank AG, London Branch</b> Winchester House 1 Great Winchester Street London EC2N 2DB England	<b>Credit Suisse AG</b> Paradeplatz 8 8001 Zurich Switzerland
		<b>Deutsche Bank Luxembourg S.A.</b> 2 Boulevard Konrad Adenauer L-1115 Luxembourg Luxembourg
<b>Auditors to the Issuer and the Guarantor</b>	<b>PricewaterhouseCoopers</b> 188 Quay Street Auckland New Zealand	<b>New Zealand</b>

**Dealers**

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England

**BNP Paribas**  
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**Credit Suisse Securities (Europe) Limited**  
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London E14 4QJ  
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**Citigroup Global Markets Limited**  
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**Deutsche Bank AG, London Branch**  
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**Daiwa Capital Markets Europe Limited**  
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**HSBC Bank plc**  
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**Goldman Sachs International**  
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**Merrill Lynch International**  
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England

**J.P. Morgan Securities plc**  
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Canary Wharf  
London E14 5JP  
England

**Nomura International plc**  
1 Angel Lane  
London EC4R 3AB  
England

**Morgan Stanley & Co. International plc**  
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**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR  
England

**Commonwealth Bank of Australia**  
acting through its branches outside  
Australia

**Legal Advisers**

**To the Issuer and the Guarantor  
as to New Zealand law**

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