

Market Commentary
New Zealand Credit Rating

The credit rating of NZ has been downgraded from AA+ to AA by credit rating agency Standard & Poor's and Fitch. However, the credit rating issued by Moody's remained unchanged at AAA.

S&P's said the downgrade reflects the likelihood that NZ's external debt position will get worse due to the cost of rebuilding Christchurch.

Fitch Ratings noted concerns about growing external debt during a volatile global market and said NZ is unlikely to narrow its current account deficit over the next few years.

Yields on Government Bonds and SWAPs have immediately rallied after the announcements.

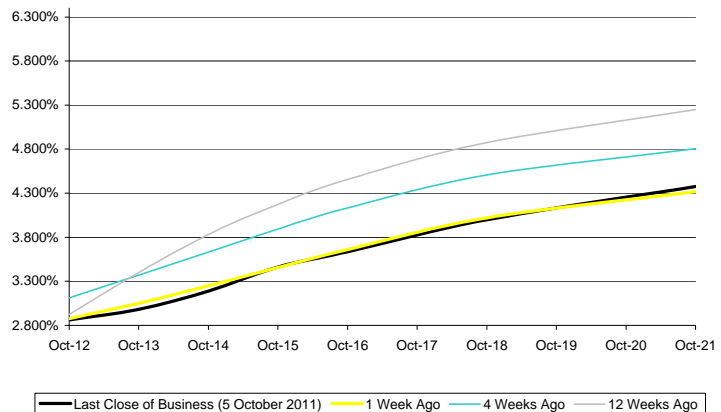
Points of Interest

- **Air New Zealand (AIR)** has successfully completed its offer of unsecured, unsubordinated fixed rate bonds. The maturity date is 15/11/2016. The issue size is \$150 million. The interest rate has been set at 6.9% payable semi-annually. This stock has listed on the NZDX market under stock code **AIR010**.
- Standard and Poor's have maintained **Telecom (TEL)** credit rating of A and the company remains on Creditwatch with negative implications. This reflects a high likelihood that Telecom will complete the proposed demerger. Standard & Poor's believe the demerger will weaken Telecom's strong business risk profile and the long term rating of Telecom may get downgraded by at least 1 notch.
- **Heartland NZ (HNZ)** has completed its acquisition of PGG Wrightson Finance. The existing secured bonds issued by PGG Wrightson Finance (**PWF040**) will be repaid on 8 October 2011.
- **MacQuarie Fortress Notes (FTNFA)** which are managed by MacQuarie Fortress Investment Ltd announced that the underlying portfolio of FTNFA has been sold. The cash realised will be used to repay the debt facility put in place in April 2008 and the remaining balance will be distributed to noteholders as a return of capital at which point the notes will be cancelled. It is expected noteholders will receive approximately 45 cents per unit after the debt facility is repaid.

Extended Retail Deposit Guarantee Scheme

The following companies have been approved by The Treasury for the extended Government Guarantee Scheme. The extension will expire on 31 December 2011. Eligible non-bank depositors will be covered up to a maximum \$250,000 per depositor per institution.

- Heartland Building Society
- Fisher & Paykel Finance Limited

New Zealand Swap Rate Curve


Swap Rates as at 5 October 2011	
1 Year Swap Rate	2.84%
2 Year Swap Rate	2.98%
3 Year Swap Rate	3.19%
5 Year Swap Rate	3.64%
10 Year Swap Rate	4.34%

Wholesale market	
Official Cash Rate	2.50%
90 Day Bank Bills	2.82%
US 10 year bond	1.83%
Gold per oz (USD)	\$1,625.00
NZD vs USD	\$0.7609

Monetary policy Statement and Official Cash Rate Review Dates

27 October 2011	OCR Announcement
8 December 2011	Monetary Policy Statement and OCR announcement
26 January 2012	OCR Announcement
8 March 2012	Monetary Policy Statement and OCR announcement
26 April 2012	OCR Announcement

Term Investment Rates as at 5 October 2011

Issuer		3mths	6mths	1 yr	2 yrs	3 yrs	4 yrs	5 yrs
ASB BANK AA Rated								
\$5,000 - \$9,999	4	3.00	3.00	3.00	3.00	3.00	3.00	3.00
\$10,000 - \$49,999	4	3.50	4.00	4.45	4.75	5.30	5.65	5.90
\$50,000 +	4	3.50	4.00	4.45	4.75	5.30	5.65	5.90
Kiwi Bonds AAA Rated								
\$1,000 - \$500,000	4	-	2.25	2.50	2.75	-	3.50	-
Heartland Building Society (Marac Finance) BBB- Rated								
Guaranteed Investments								
\$1,000 +	4	3.75	4.50	5.50	6.00	6.50	6.75	6.75
Non Guaranteed Investments								
\$1000 +	4	4.75	5.50	6.25	6.75	7.00	7.25	7.25
Fisher & Paykel Finance BB Rated								
\$1,000 - \$25,000	4	5.45	6.00	6.75	7.05	7.15	7.25	7.30
\$25,000 +	4	5.45	6.00	7.25	7.45	7.50	7.60	7.65
UDC Finance AA Rated								
\$5,000 - \$99,999	4	-	-	4.40	4.70	5.15	5.65	5.95
\$5,000 - \$99,999	1	3.80	4.25	4.40	4.70	5.25	5.70	5.95
\$100,000+	4	-	-	4.40	4.80	5.25	5.72	5.95
\$100,000+	1	3.80	4.35	4.40	4.80	5.35	5.80	6.05

Disclosure statements produced under the Securities Market Act 1988 are available on request and free of charge.

To discuss any of these investments please talk to your advisor or contact the Fixed Interest Service

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Rates shown are market prices and subject to change, and availability. Interest rates are quoted on a per annum basis.

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Secondary Market Issues as at 5 October 2011

Security Issuer	Rating	Minimum Investment	Maturity	Coupon %	Int Freq	Yield %	Price per \$100
Government Stock							
NZ Government Stock	AAA	\$10,000	15-Nov-11	6.00%	2	2.33%	\$102.72
NZ Government Stock	AAA	\$10,000	15-Apr-13	6.50%	2	2.65%	\$105.39
NZ Government Stock	AAA	\$10,000	15-Apr-15	6.00%	2	3.14%	\$108.96
NZ Government Stock	AAA	\$10,000	15-Dec-17	6.00%	2	3.74%	\$113.64
NZ Government43539	AAA	\$10,000	15-Mar-19	5.00%	2	3.98%	\$106.13
NZ Government Stock	AAA	\$10,000	15-May-21	6.00%	2	4.21%	\$115.51
Corporate Bonds							
Bank of New Zealand	AA-	\$10,000	15-Jun-12	8.42%	2	4.70%	\$105.01
ANZ National Bank Callable Sub Debt	AA-	\$10,000	23-Jul-12	8.23%	2	4.81%	\$104.21
Mighty River Power	BBB+	\$5,000	15-May-13	8.36%	4	4.04%	\$107.70
Bank of New Zealand	AA	\$10,000	27-May-13	8.56%	2	3.88%	\$110.26
ASB Bank Limited (Senior)	AA	\$10,000	16-Jul-13	8.52%	2	3.95%	\$109.47
Genesis Energy	BBB+	\$5,000	15-Mar-14	7.25%	2	4.20%	\$107.17
Auckland Council	AA	\$10,000	24-Mar-14	6.42%	2	4.05%	\$105.47
Contact Energy Ltd	BBB	\$5,000	15-May-14	8.00%	4	4.50%	\$109.43
Vector Limited (Senior)	BBB+	\$5,000	15-Oct-14	7.80%	2	4.61%	\$108.41
Westpac Bank	AA	\$10,000	18-Oct-14	8.35%	2	3.95%	\$116.03
NZ Post Callable Sub Debt	AA-	\$5,000	15-Nov-14	7.50%	2	6.45%	\$105.54
Fonterra	A+	\$5,000	10-Mar-15	7.75%	4	4.45%	\$110.64
Meridian Energy	BBB+	\$5,000	16-Mar-15	7.15%	2	4.60%	\$108.08
ANZ National Bank (Senior)	AA	\$10,000	31-Mar-15	6.60%	2	4.69%	\$105.84
Goodman Bonds	BBB+	\$10,000	19-Jun-15	7.75%	2	5.55%	\$109.21
Bank of New Zealand	AA	\$10,000	13-Aug-15	6.17%	2	4.76%	\$105.42
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ASB	AA	\$10,000	22-Oct-15	6.10%	2	4.82%	\$107.05
Fonterra	A+	\$5,000	4-Mar-16	6.83%	2	4.48%	\$109.48
Bank of New Zealand	AA	\$10,000	15-Sep-16	6.91%	2	5.20%	\$107.28
ASB	AA	\$10,000	15-Sep-16	6.91%	2	5.14%	\$107.57
Trans Power	AA-	\$10,000	15-Feb-17	6.60%	2	4.75%	\$109.06
ASB Bank	AA	\$10,000	8-Jun-17	6.06%	2	5.39%	\$104.71
Auckland Council	AA	\$5,000	29-Sep-17	7.58%	2	4.95%	\$113.05
ANZ	AA	\$10,000	20-Sep-18	6.08%	2	5.81%	\$101.21
Trans Power	AA-	\$10,000	10-Jun-20	6.95%	2	5.49%	\$111.46
Unrated Issues							
Infratil Limited	-	\$5,000	15-Nov-12	7.75%	4	7.10%	\$101.65
Works Finance Ltd	-	\$5,000	15-Jun-12	9.80%	4	38.90%	\$83.45
Works Finance Ltd (Senior)	BBB	\$5,000	15-Sep-12	9.65%	4	6.90%	\$102.93
GPG Finance plc	-	\$5,000	15-Nov-12	8.30%	4	7.55%	\$101.83
Trustpower Subordinated Bonds	-	\$5,000	15-Sep-12	8.50%	4	6.40%	\$102.28
Infratil Limited	-	\$5,000	15-Nov-12	7.75%	4	7.10%	\$101.65
Fletcher Building Finance Ltd	-	\$5,000	15-Mar-13	8.90%	2	6.40%	\$103.74
MARAC Finance Ltd	BBB-	\$5,000	15-Jul-13	10.50%	4	7.70%	\$104.15
Infratil Limited	-	\$5,000	15-Sep-13	8.50%	4	7.20%	\$102.62
GPG Finance plc	-	\$5,000	15-Dec-13	9.00%	4	8.10%	\$102.08
Trustpower Subordinated Bonds	-	\$5,000	15-Mar-14	8.50%	4	6.70%	\$104.26
Tower Capital Limited	BBB-	\$5,000	15-Apr-14	8.50%	4	6.85%	\$103.33
Fletcher Building Finance Ltd	-	\$5,000	15-May-14	9.00%	2	6.40%	\$109.40
Warehouse Group	-	\$1,000	15-Jun-15	7.37%	2	6.30%	\$105.39
Infratil Limited	-	\$5,000	15-Nov-15	8.50%	4	7.45%	\$104.50
APN (NZ)	-	\$10,000	15-Mar-16	7.86%	4	10.40%	\$91.15
Fletcher Building Finance Ltd	-	\$5,000	15-May-16	9.00%	2	7.10%	\$110.85
Goodmand Fielder (NZ)	-	\$5,000	16-May-16	7.54%	4	7.45%	\$100.98
Z Energy	-	\$5,000	15-Oct-16	7.35%	2	6.40%	\$103.39
Trustpower	-	\$5,000	15-Dec-16	8.00%	4	6.20%	\$107.92
Infratil Limited	-	\$5,000	15-Feb-20	8.50%	4	8.40%	\$101.17
Hybrids / Other							
Genesis Energy Capital Bonds	BB-	\$5,000	15-Jul-41	8.50%	4	-	\$106.25
ASB Capital Limited Perpetual Preference Share:	A	\$5,000	Perpetual	4.78%	4	-	\$73.00
ASB Capital No. 2 Limited Perpetual Pref Shares	A	\$5,000	Perpetual	3.80%	4	-	\$73.00
Fonterra Co-Operative Ltd Capital Notes	A+	\$5,000	Perpetual	5.30%	4	-	\$82.00
Rabobank Nederland	AA-	\$5,000	Perpetual	4.21%	4	-	\$85.25
Rabo PIE Capital Securities	AA-	\$5,000	Perpetual	8.79%	4	-	\$108.00
Origin Energy Contact Finance No.2 Ltd	BBB-	\$5,000	Perpetual	4.92%	2	-	\$61.50
Infratil Limited	-	\$5,000	Perpetual	4.99%	4	-	\$58.00
Nufarm Finance (NZ) Ltd	BB	\$5,000	Perpetual	6.94%	4	-	\$91.00
Quayside Holdings Limited	-	\$5,000	Perpetual	5.42%	4	-	\$93.00
BNZ Income Securities Ltd	A+	\$5,000	Perpetual	9.89%	4	-	\$103.90
BNZ Income Securities Ltd no 2	A+	\$5,000	Perpetual	9.10%	4	-	\$110.00
ANZ National Bank Ltd	A+	\$5,000	Perpetual	9.66%	2	-	\$105.00
Motor Trade Finance	-	\$5,000	Perpetual	5.77%	4	-	\$55.00
CBA Capital Australia Limited	AA-	\$5,000	15-Apr-15	3.59%	4	-	\$92.50
Sky Network Television	-	\$5,000	16-Oct-16	4.06%	2	-	\$91.00
Credit Agricole S.A.	A	\$5,000	19-Dec-17	10.04%	4	-	\$56.00
Kiwi Capital Securities	BBB	\$1,000	Perpetual	8.15%	4	-	\$105.00