

ASX ANNOUNCEMENT



Sydney, 5 November 2014

COMMONWEALTH BANK OF AUSTRALIA ISSUE OF A\$1 BILLION TIER 2 CAPITAL SUBORDINATED SECURITIES NOTICE UNDER SECTION 708A(12G)(e) CORPORATIONS ACT 2001 (CTH)

Commonwealth Bank of Australia (“CBA”) is pleased to confirm that, on 5 November 2014, it issued A\$1 billion Tier 2 Capital subordinated notes due 5 November 2024 pursuant to its A\$ debt program (“Subordinated Securities”). Terms used but not defined in this announcement are defined in the Information Memorandum dated 28 October 2014 (“Information Memorandum”).

The Subordinated Securities potentially exchange into fully paid ordinary shares of CBA (“Ordinary Shares”) if a Non-Viability Trigger Event occurs.

This notice is a cleansing notice prepared for the purposes of section 708A(12G)(e) of the Corporations Act 2001 (Cth) (“Corporations Act”) (as inserted by ASIC Instrument 14-1133). CBA has elected to give this notice to enable Ordinary Shares issued on exchange to be sold without disclosure under Chapter 6D of the Corporations Act and includes:

- in schedule 1, a description of the rights and liabilities attaching to Subordinated Securities that is based on the description in the Information Memorandum (as applicable to the Subordinated Securities and as supplemented by the Pricing Supplement for the Subordinated Securities dated 3 November 2014;
- in schedule 2, commercial particulars of the Subordinated Securities, provided in the Pricing Supplement; and
- in schedule 3, a description of the rights and liabilities attaching to Ordinary Shares.

CBA confirms that:

- (a) Subordinated Securities were issued without disclosure to investors under Part 6D.2 of the Corporations Act;
- (b) the information in this notice remains current as at today’s date;
- (c) this notice (including the Schedule) complies with section 708A of the Corporations Act, as notionally modified by ASIC Class Orders [CO 08/35] and [CO10/322], and further modified by ASIC Relief Instrument 14-1133; and
- (d) CBA has complied with section 708A(12H) of the Corporations Act as inserted by ASIC Relief Instrument 14-1133.

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EFFECT OF THE SUBORDINATED SECURITIES OFFER ON CBA

The issue of Subordinated Securities by CBA will not have a material impact on CBA's financial position. If a Non-Viability Trigger Event occurs and CBA issues Ordinary Shares, the impact of Exchange on CBA would be to increase CBA's shareholders' equity. The number of Ordinary Shares issued on Exchange is limited to the Maximum Exchange Number. The Maximum Exchange Number is 6,446.5472 Ordinary Shares per Subordinated Security (with a nominal value of A\$100,000), based on the Issue Date VWAP of A\$77.5609 per Ordinary Share.

ADDITIONAL INFORMATION

CBA is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. In addition, CBA must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about CBA that a reasonable person would expect to have a material effect on the price or value of its securities including Ordinary Shares.

Copies of documents lodged with ASIC and ASX can be obtained from, or inspected at, an ASIC office and can also be obtained from www.asx.com.au.

The principal risks affecting CBA's business are set out in its annual financial reports.

The following information can be obtained from the Shareholder Centre at www.commbank.com.au:

- CBA's half-yearly and annual financial reports;
- continuous disclosure notices lodged with ASX; and
- other general information provided to investors.

CBA will provide a copy of any of the following documents free of charge to any person upon their written request:

- the Information Memorandum;
- CBA's annual financial report for the year ended 30 June 2014;
- any continuous disclosure notices given by CBA in the period after the lodgement of its annual financial report for the year ended 30 June 2014 and before the date of this notice; and
- CBA's constitution.

Written requests for copies of these documents should be made to:

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Investor Relations
Commonwealth Bank of Australia
Level 18, Tower 1
201 Sussex Street
Sydney NSW 2000

Tricia Ho-Hudson
Head of Capital and Regulatory Strategy
Telephone (02) 9118 1319

This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act")). The Subordinated Securities have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction in the United States. Accordingly, the Subordinated Securities may not be offered or sold in the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act) unless they have been registered under the Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

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SCHEDULE 1 – SUMMARY OF SUBORDINATED SECURITIES

The following is a brief summary only and should be read in conjunction with the Information Memorandum, which contains the full Conditions of the Subordinated Securities. Capitalised terms not otherwise defined have the meaning given to them in the Conditions of the Subordinated Securities.

A. PROVISIONS APPLICABLE TO ALL SECURITIES (INCLUDING SUBORDINATED SECURITIES)

Issuer:	Commonwealth Bank of Australia (CBA or the Issuer)
Description:	An Australian Dollar denominated debt issuance program under which the Issuer may issue Medium Term Notes (MTNs), Transferable Certificates of Deposit (TCDs) or Subordinated Securities (together, Securities). Securities may represent either unsubordinated obligations of the Issuer (in the case of MTNs and TCDs) or subordinated obligations of the Issuer (in the case of Subordinated Securities).
Program size:	Unlimited
Direct issues by Issuer:	The Issuer may issue Securities directly to purchasers or investors (as applicable) procured by it. Such purchasers will be required to confirm and acknowledge to the Issuer in writing that the issue of Securities resulted from the Securities being offered for issue as a result of negotiations being initiated publicly in electronic form (eg Reuters or Bloomberg) or in another form that was used by financial markets for dealing in debentures.
Registrar:	Austraclear Services Limited ABN 28 003 284 419 (Austraclear) and/or any other person appointed by the Issuer for a series (including, if the relevant Pricing Supplement so contemplates, the Issuer itself).
Calculation Agent:	The Calculation Agent is CBA or the person specified in the relevant Pricing Supplement. The Calculation Agent must be the same for all Securities in a series.

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- Form: Each Security will be:
- denominated in Australian Dollars (unless otherwise agreed);
 - registered on a register located in Sydney (unless otherwise agreed) (**Register**);
 - a debt obligation of the Issuer constituted by, and owing under, the relevant Deed Poll;
 - subject to the relevant Conditions (set out in this Information Memorandum) as supplemented by the applicable Pricing Supplement for that Security
- Securities of any series may be described by any marketing name specified in the relevant Pricing Supplement.
- Title: Entry of the name of the person in the Register in respect of a Security constitutes or passes title to the Security and is conclusive evidence of that person's entitlements to receive interest and repayment of principal in the manner provided for in the Conditions. No certificates will be issued unless the Issuer is required to do so by applicable law or regulation. Securities that are held in the Austraclear System will be registered in the name of Austraclear and title to the Securities will be determined in accordance with the Austraclear Regulations.
- Denomination: Securities will be issued in the denomination specified in the relevant Pricing Supplement.

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Clearing System: Securities may be traded either within or outside any Clearing System (as defined below).

The Issuer will apply to Austraclear for approval for the Securities to be traded on the settlement system operated by Austraclear (**Austraclear System**) unless otherwise specified in the relevant Pricing Supplement. Such approval of the Securities by Austraclear is not a recommendation or endorsement by Austraclear of the Securities.

Securities may also be traded on the settlement system operated by Euroclear Bank S.A./N.V. (**Euroclear**), the settlement system operated by Clearstream Banking, société anonyme, Luxembourg (**Clearstream**) or any other clearing system outside Australia if so specified in the relevant Pricing Supplement (together with the Austraclear System, Euroclear and Clearstream, each a **Clearing System**).

Securities held in a Clearing System are subject to the rules and regulations of that Clearing System (provided that nothing in those rules and regulations affects any provision of the Conditions which relates to the eligibility of Subordinated Securities as Tier 2 capital of the Issuer).

Payments: Payments will be made in accordance with details recorded in the Register by 5.00 pm local Registry Office time on the relevant Record Date (ie the date seven days prior to the relevant payment date).

For a Security registered in the name of Austraclear, payments will be made in accordance with the Austraclear Regulations.

If a Security is not registered in the name of Austraclear, payment will be made to the person whose name appears in the Register as the holder of that Security on the relevant book closing date either:

- by electronic transfer to an account in Australia, which account must be specified not less than 7 business days prior to the due date for payment: or
- by A\$ cheque posted to an address in Australia,

in accordance with the latest payment instructions of that person. For joint holders, payments will be made to the person whose name appears first in the Register.

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Transfer: Securities can only be transferred in accordance with the Conditions.

Transfers of Securities held in a Clearing System will be made in accordance with the rules and regulations of the relevant Clearing System.

Securities may only be transferred within, to or from Australia in the denominations specified in the Pricing Supplement and if the consideration payable at the time transfer is a minimum amount of A\$500,000 (in either case, disregarding moneys lent by the transferor or its associates) or if the offer or invitation giving rise to the transfer otherwise does not constitute an offer or invitation for which disclosure is required to be made to investors in accordance with Part 6D.2 or Part 7 of the Corporations Act and the transfer is not made to a retail client as defined in section 761G of the Corporations Act and does not require lodging any document under Division 5 of Part 6D.2 or under Part 7 of the Corporations Act.

Securities may only be transferred between persons in a jurisdiction (or jurisdictions) other than Australia if the transfer and all conduct connected with the transfer complies with the relevant laws of the relevant jurisdiction in which the transfer takes place.

Stamp duty and taxes: No stamp duty is payable in Australia on the issue, transfer or redemption of the MTNs or TCDs.

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All payments of principal and interest in respect of the Securities will be made without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Australia or by any authority in or of Australia having power to tax (together **Taxes**), unless such withholding or deduction is required by law or permitted by the Conditions.

Where a withholding or deduction is required by law, the Issuer must pay additional amounts to Holders of Subordinated Securities (**Subordinated Holders**) so that they receive the amounts they would have received had no such withholding or deduction been required, except, broadly:

- if the Subordinated Holder is liable to such Taxes by reason of its having some connection with the Commonwealth of Australia;
- if the Subordinated Holder is an Offshore Associate;
- if the Subordinated Holder is party to a scheme to avoid Taxes;
- if the Subordinated Holder has not supplied an appropriate tax file number or equivalent;
- if the Australian Commissioner of Taxation requires the Issuer to withhold pay to it amounts in respect of tax payable to it by the Subordinated Holder; or
- on account of any withholding or deduction required pursuant to FATCA (as defined below).

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FATCA: Holders may be subject to FATCA withholding and information reporting:

The Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act (**FATCA**) were enacted in March 2010 in an effort to assist the United States Internal Revenue Service (**IRS**) in enforcing U.S. taxpayer compliance. More specifically, FATCA imposes a 30% withholding tax on certain payments to certain non-U.S. financial institutions which do not enter into and comply with an agreement with the IRS to provide certain information on the holders of its debt or equity (other than debt or equity interests that are regularly traded on an established securities market). In addition, FATCA imposes a 30 percent withholding tax on “passthru payments” of U.S. source income from certain non-U.S. financial institutions to holders of debt or equity that do not provide the necessary information and certifications. Under FATCA, a “grandfather rule” exempts from withholding tax under FATCA (i) payments of U.S. source income (interest and proceeds) on obligations outstanding on 1 July 2014, and (ii) payments from a non-U.S. issuer to holders of its obligations, if such obligation is outstanding six months after the adoption of U.S. Treasury final regulations addressing the term “foreign passthru payments” (unless the obligation is significantly modified, and is thus treated as being reissued for U.S. federal income tax purposes, after the applicable date). In addition, under FATCA, withholding on “foreign passthru payments” will be phased in no earlier than 1 January 2017.

The Australian Government and U.S. Government signed an intergovernmental agreement with respect to FATCA (**IGA**) on 28 April 2014. The obligations imposed on Australian financial institutions under the IGA were implemented into Australian law on 30 June 2014 under the Tax Laws Amendment (Implementation of the FATCA Agreement) Act 2014 (Cth) (**Act**). With effect from 1 July 2014, Australian financial institutions which are Reporting Australian Financial Institutions under the IGA that maintain U.S. Reportable Accounts (as defined in the IGA) must follow specific due diligence procedures to identify their account holders and provide information about certain accounts as specified in the IGA and the Act to the Commissioner of Taxation. The Commissioner of Taxation will provide that information to the IRS. Under the IGA, an Australian financial institution, which may include the Issuer, which is in compliance with its obligations under the Act should not generally be subject to withholding under FATCA on any payments it receives. Further, a Reporting Australian Financial Institution would generally not be required to withhold

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under FATCA from payments it makes (unless it has agreed to do so under the U.S. “qualified intermediary,” “withholding foreign partnership,” or “withholding foreign trust” regimes). There can be no assurance that the Issuer will be treated as a Reporting Australian Financial Institution or that it would not be required to withhold under FATCA or pursuant to the IGA. To the extent amounts paid to or from the Issuer are subject to FATCA Withholding, there will be no “gross up” (or any additional amount) payable by way of compensation to any Holders for the deducted amount.

The Issuer may determine that it should or must comply with certain obligations as a result of the IGA. As such, Holders will be required to provide any information, tax documentation and waivers that the Issuer determines are necessary to comply with FATCA, the IGA or rules implementing the IGA. The Issuer’s ability to satisfy such obligations will depend on each Holder providing, or causing to be provided, any information, tax documentation and waivers, including information concerning the direct or indirect owners of such Holder, that the Issuer determines are necessary to satisfy such obligations.

The above discussion is based on the IGA, the Act and regulations and guidance of the U.S. Treasury Department and the IRS may supplement or modify these regulations and/or guidance in a way that would alter the application of FATCA to the Issuer and the Securities. The impact of the FATCA regime for Australian financial institutions will also depend on any associated guidance issued by the Australian Taxation Office (**Guidance**). As at the date of this Information Memorandum, final Guidance has not yet been released. Holder should consult its own tax advisor to obtain a more detailed explanation of FATCA and the IGA and to learn how they might affect such holder in its particular circumstance.

TFNs and ABNs:

The Issuer will deduct amounts from payments if an Australian resident Holder or a non resident Holder who is engaged in carrying on business in Australia at or through a permanent establishment of the non resident in Australia, has not supplied an appropriate tax file number, Australian business number or other exemption details.

Investors should obtain their own taxation advice regarding the taxation status of investing in Securities.

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Public offer test: The Issuer proposes to issue Securities and to make payments of interest in a manner that will satisfy section 128F of the Income Tax Assessment Act 1936 of Australia. The public offer test status of a Tranche of Securities will be specified in the relevant Pricing Supplement.

Governing law: New South Wales

Listing: The Securities will not be listed on any stock exchange

Investment Risks This paragraph does not describe all the risks in investing in Securities. Prospective investors or purchasers should consult their own financial and legal advisers about risks associated with an investment in a particular tranche or series of Securities and the suitability of investing in the Securities in light of their particular circumstances.

In addition to the credit risks associated with the Issuer, an investment in certain types of structured Securities, the premium and/or the interest on or principal of which is determined by reference to one or more values of currencies, commodities, interest rates or other indices or formulae, either directly or indirectly, may entail significant risks not associated with similar investments in a conventional debt security, including the risks that the resulting interest rate will be less than that payable on a conventional debt security purchased at the same time and/or that an investor could lose all or a substantial portion of the principal of those Securities.

Neither the current nor the historical value of the relevant currencies, commodities, interest rates or other indices or formulae should be taken as an indication of future performance of such currencies, commodities, interest rates or other indices or formulae during the term of any Securities.

B. PROVISIONS APPLICABLE TO SUBORDINATED SECURITIES

Issuance in series: Subordinated Securities may be issued in series provided that the Optional Redemption Date of any tranche of Subordinated Securities must not be less than five years after the date of issue of the Subordinated Securities as specified in, the Pricing Supplement (**Issue Date**).

Issue Price Subordinated Securities may be issued at their principal amount or at a discount or premium to their principal amount.

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Status and ranking:

Subordinated Securities will be direct, unsecured and subordinated obligations of the Issuer and rank:

- after the claims in respect of Senior Ranking Obligations including claims preferred by applicable laws;
- equally amongst themselves and with claims in respect of Equal Ranking Securities; and
- ahead of all claims in respect of Junior Ranking Securities.

“Senior Ranking Obligations” means all present and future deposits and other liabilities, securities and other obligations of the Issuer which would be entitled to be admitted in the winding up of the Issuer (and including but not limited to obligations in respect of instruments issued before 1 January 2013 as Tier 2 Capital) other than Equal Ranking Securities and Junior Ranking Securities.

“Equal Ranking Securities” means any instrument that ranks in a winding up of the Issuer as the most junior claim in the winding up of the Issuer ranking senior to Junior Ranking Securities, and includes:

- (a) if on issue at the commencement of the winding up of the Issuer:
 - (i) the JPY20,000,000,000 Perpetual Subordinated Callable Fixed/Floating Rate Reverse Dual Currency Securities issued by the Issuer in 1999; and
 - (ii) the JPY9,000,000,000 Perpetual Subordinated Instruments issued by the Bank of Western Australia Limited in 1996 and assigned to the Issuer in 2012; and
- (b) any other instruments, present and future, issued after 1 January 2013 as instruments constituting Tier 2 Capital.

“Junior Ranking Securities” means any instrument, present and future, issued by the Issuer which:

- (a) qualify as Tier 1 Capital (or, in the case of any instrument issued prior to 1 January 2013), was treated as

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constituting Tier 1 Capital in accordance with the prudential standards which applied prior to 1 January 2013, irrespective of whether or not such instrument is treated as constituting Tier 1 Capital in accordance with any transitional arrangements provided by APRA or which rank or are expressed to rank equally with such securities in a winding up of the Issuer; and

(b) all ordinary shares of the Issuer.

*The applicable laws which give priority to certain claims include (but are not limited to) sections 13A and 16 of the Banking Act 1959 (Cth) (**Banking Act**) and section 86 of the Reserve Bank Act 1959 (Cth). These provisions provide that, in the event that the Issuer becomes unable to meet its obligations or suspends payment, its assets in Australia are to be available to meet its liabilities to, among others, APRA, the Reserve Bank of Australia and holders of protected accounts held in Australia, in priority to all other liabilities, including the Subordinated Securities.*

Changes to applicable laws may extend the debts required to be preferred by law. The Subordinated Securities are not protected accounts or deposit liabilities of the Issuer for the purposes of the Banking Act.

Tenor: Subordinated Securities shall be issued with a minimum tenor of five years (or such greater amount as otherwise specified in the relevant Pricing Supplement).

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Events of Default: An event of default (**Event of Default**) broadly occurs if:

- (a) the Issuer fails to pay any amount due in respect of the Subordinated Securities and such default continues for a period of 15 Business Days (except where the non-payment is in compliance with law or legal advice); or
- (b) an order is made by a court of competent jurisdiction, or an effective resolution is passed, for the winding up of the Issuer in Australia (and not successfully appealed or permanently stayed within 30 Business Days).

If an Event of Default occurs as described in paragraph (a), the Subordinated Holders may institute proceedings:

- to recover the amount the Issuer has failed to pay, provided that the Issuer may only be compelled to pay that amount to the extent that, immediately after the payment, the Issuer will be Solvent (as defined in the Corporations Act);
- for specific performance of any other obligation in respect of the Subordinated Security; or
- for the winding up of the Issuer in Australia.

If an Event of Default occurs as described in paragraph (b), a Subordinated Holder may prove in the winding up of the Issuer in respect of an amount equal to the outstanding principal amount plus accrued but unpaid Interest up to (but excluding) the date of commencement of the winding up.

There are no other Events of Default, and a Subordinated Holder has no right to accelerate payment or exercise any other remedy (including any right to sue for damages) as a consequence of any Event of Default other than in the circumstances described above.

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Interest: Subordinated Securities may be issued as Fixed Rate Subordinated Securities or Floating Rate Subordinated Securities. A Subordinated Security bears interest on its Outstanding Principal Amount, subject to the Conditions of the Subordinated Securities and the relevant Pricing Supplement.

Interest is payable in arrears on each Interest Payment Date. No interest accrues on Subordinated Securities required to be exchanged for Ordinary Shares in the period from (and including) the Interest Payment Date that immediately precedes the Exchange Date or Write Down Date to the Exchange Date or Write Down Date (as applicable).

Stamp duty No stamp duty is payable in Australia on the issue or transfer of the Subordinated Securities. No stamp duty is payable in Australia on the issue of Ordinary Shares to a holder of Subordinated Securities on an Exchange (or on a subsequent transfer), provided that no person (alone or with associates) obtains an interest of 90% or more in CBA.

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Redemption or
Repurchase:

Each Subordinated Security will be Redeemed on the Maturity Date specified in the Pricing Supplement for its Final Redemption Amount unless previously Redeemed, Exchanged or fully Written Down.

The Issuer may elect to Redeem all or some Subordinated Securities on an Optional Redemption Date in accordance with the Conditions of the Subordinated Securities. This option is not exercisable before the fifth anniversary of the Issue Date of the Subordinated Securities (or such other later date(s) specified in the relevant Pricing Supplement).

In certain circumstances following notice by the Issuer, the Issuer may redeem all (but not some) Subordinated Securities if there is a material risk that, as a result of a change in laws of Australia (including following any announcement of a prospective change or amendment which has been or will be introduced) the Issuer would be exposed to a more than de minimis adverse tax consequence in relation to the Subordinated Securities other than a tax consequence the Issuer expected as at the Issue Date.

In certain circumstances following notice by the Issuer, the Issuer may redeem all (but not some) Subordinated Securities if it determines that as a result of a change in the laws of Australia or a change in APRA's prudential standards (including following any announcement of a prospective change or amendment which has been or will be introduced) all or some or a percentage of Subordinated Securities are not or will not be treated as Tier 2 Capital of the CBA Group under APRA's prudential standards (as amended from time to time), other than as a result of a change of treatment expected by the Issuer as at the Issue Date.

The Issuer or any member of the CBA Group may, to the extent permitted by applicable laws and regulations, at any time purchase Subordinated Securities in the open market, by tender to all or some of the Subordinated Holders or by private agreement or otherwise at any price.

Early Redemption or Repurchase of Subordinated Securities is subject to the prior written approval of APRA.

Holders of Subordinated Securities should not expect that APRA's approval will be given for any early Redemption or

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Repurchase of Subordinated Securities.

No Set-Off: None of the Issuer, any Subordinated Holder or any person claiming through any of them has any right of set-off in respect of any amounts owed by one person to the other person arising under or in connection with the Subordinated Securities.

Non-Viability Trigger Event: A “Non-Viability Trigger Event” occurs when APRA notifies the Issuer in writing that it believes:

- (i) an Exchange or, if the relevant Pricing Supplement specifies, Write Down of all or some Subordinated Securities, or conversion or write down of capital instruments of the CBA Group, is necessary because, without it, the Issuer would become non-viable; or
- (ii) a public sector injection of capital, or equivalent support, is necessary because, without it, the Issuer would become non-viable.

APRA may specify an aggregate face value of capital instruments which must be Exchanged, Written Down, converted or written down (as applicable).

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Exchange or Write
Down on the
occurrence of a
Non-Viability
Trigger Event:

If a Non-Viability Trigger Event occurs, the Issuer must:

- (i) Exchange; or
- (ii) if the relevant Pricing Supplement specifies Write Down, Write Down,

such number of Subordinated Securities (or, if it so determines, such percentage of the Outstanding Principal Amount of each Subordinated Security) as is equal (taking into account any conversion or write down of other Relevant Securities) to the aggregate face value of capital instruments which APRA has notified the Issuer must be Exchanged, Written Down converted or written down (or, if APRA has not so notified the Issuer, such number or, if the Issuer so determines, such percentage of the Outstanding Principal Amount of each Subordinated Security, as is necessary to satisfy APRA that the Issuer will no longer be non-viable). If a Non-Viability Trigger Event occurs in circumstances where APRA believes a public sector injection of capital, or equivalent support, is necessary because, without it, the Issuer would become non-viable, the Issuer must Exchange or, if the Pricing Supplement specifies, Write Down all Subordinated Securities.

In determining the number of Subordinated Securities, or percentage of the Outstanding Principal Amount of each Subordinated Security, which must be Exchanged, or Written Down, the Issuer will:

- (i) first, exchange, convert or write down the face value of any Relevant Tier 1 Securities whose terms require or permit, or are taken by law to require or permit, them to be exchanged, converted or written down before Exchange or Write Down of the Subordinated Securities;
- (ii) secondly, exchange, convert or write down the face value of any Relevant Tier 2 Securities whose terms require or permit, or are taken by law to require or permit, them to be exchanged, converted or written down before Exchange or Write Down of the Subordinated Securities; and
- (iii) thirdly, if exchange, conversion or write down of those securities is not sufficient, Exchange or Write Down (in the case of the Subordinated Securities) or exchange, convert or write down (in the case of any

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other Relevant Tier 2 Securities) on a pro-rata basis or in a manner that is otherwise, in the opinion of the Issuer, fair and reasonable, the Subordinated Securities and any other Relevant Tier 2 Securities whose terms require or permit, or are taken by law to require or permit, them to be exchanged, converted or written down in that manner (subject to such adjustments as the Issuer may determine to take into account the effect on marketable parcels and whole numbers of Ordinary Shares and any Subordinated Securities or other Relevant Tier 2 Securities remaining on issue),

but such determination will not impede the immediate Exchange or Write Down of the relevant number of Subordinated Securities or percentage of the Outstanding Principal Amount of each Subordinated Security (as the case may be).

If, for any reason, Exchange of any Subordinated Security (or a percentage of the Outstanding Principal Amount of any Subordinated Security) required to be Exchanged fails to take effect and the Issuer is not otherwise able to issue the Ordinary Shares required to be issued in respect of such Exchange within five Business Days after the date of the occurrence of the Non-Viability Trigger Event, or if the Pricing Supplement specifies "Write Down" then the relevant Subordinated Holder's rights (including to payment of the Outstanding Principal Amount and Interest) in relation to such Subordinated Securities or percentage of the Outstanding Principal Amount of the Subordinated Securities are immediately and irrevocably terminated (Written Down).

Subordinated Holders should note that the Issuer has no obligation to issue or keep on issue any Relevant Tier 1 Securities or Relevant Tier 2 Securities.

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Exchange Mechanics

On the Exchange Date, the Issuer will issue the Exchange Number of Ordinary Shares for each Subordinated Security (or percentage of the Outstanding Principal Amount of each Subordinated Security) required to be Exchanged. The Exchange Number is, subject always to the Exchange Number being no greater than the Maximum Exchange Number, calculated according to the following formula:

$$\text{Exchange Number} = \frac{\text{Outstanding Principal Amount}}{P \times \text{VWAP}}$$

where:

P means the number specified in the Subordinated Pricing Supplement.

VWAP (expressed in Australian dollars and cents) means, broadly, the average daily volume weighted prices of Ordinary Shares traded on ASX during the relevant VWAP Period.

VWAP Period means:

- (a) in the case of the calculation of the Exchange Number, the period of 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Exchange Date; or
- (b) in the case of the Issue Date VWAP, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding but excluding the Issue Date.

Maximum Exchange Number means a number calculated according to the following formula:

$$\text{Maximum Exchange Number} = \frac{\text{Outstanding Principal Amount}}{0.20 \times \text{Issue Date VWAP}}$$

The Issue Date VWAP (and accordingly the Maximum Exchange Number) is subject to limited adjustments for bonus issues and certain capital reconstructions.

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If:

- the Subordinated Holder has notified the Issuer that it does not wish to receive Ordinary Shares as a result of Exchange;
- the Subordinated Holder is, broadly, restricted by applicable Australian law from holding Ordinary Shares or is considered by the Issuer not to be a resident of Australia; or
- the Issuer has not received (for any reason whether or not due to the fault of that Subordinated Holder) any information required by it so as to impede the Issuer issuing the Ordinary Shares,

then, on the Exchange Date, the Issuer will issue the Exchange Number of Ordinary Shares to a nominee (which nominee may not be the Issuer or a Related Entity of the Issuer) for no additional consideration on terms that the nominee will arrange for their sale at market value and pay the Attributable Proceeds to the relevant Subordinated Holder.

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Additional Non-Viability Trigger Event Risk

Without in any way limiting the section above titled “Investment Risks”, certain additional risks arise in respect of Subordinated Securities.

As outlined in the sections above titled “Non-Viability Trigger Event” and “Exchange or Write Down”, Subordinated Securities are subject to a Non-Viability Trigger Event that could lead to Subordinated Securities being Exchanged or Written Down.

The inclusion of the Non-Viability Trigger Event in the conditions of capital securities is a new requirement under APRA’s prudential standards that have applied since 1 January 2013.

It should be noted that whether a Non-Viability Trigger Event will occur is at the discretion of APRA and there are currently no precedents for this. The circumstances in which APRA may exercise its discretion are not limited to when APRA may have a concern about a bank’s capital levels but may also include when APRA has a concern about a bank’s funding and liquidity levels.

If one, or a combination, of general risks associated with the Issuer’s businesses leads to a significant capital loss, or prolonged difficulties in raising funding or maintaining sufficient liquidity, the Issuer believes this may be the type of situation in which APRA becomes concerned and notifies the Issuer that it has become non-viable.

If Subordinated Securities are Exchanged following the occurrence of a Non-Viability Trigger Event, the number of Ordinary Shares received is limited to the Maximum Exchange Number. There is a risk that Subordinated Security Holders will receive a number of Ordinary Shares with a value significantly less than the Outstanding Principal Amount.

If a Non-Viability Trigger Event occurs and Write Down is specified or Exchange is not effective and the Issuer is not otherwise able to issue Ordinary Shares within five Business Days, then Subordinated Security Holders’ rights under the Subordinated Securities will be terminated. Subordinated Security Holders’ investment will lose all of its value, the Outstanding Principal Amount will not be repaid and Subordinated Security Holders will not receive any compensation.

If Subordinated Securities are Exchanged following the

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occurrence of a Non-Viability Trigger Event, sale of Ordinary Shares issued on Exchange may be restricted by applicable Australian law, including, if the Issuer has not issued the disclosure required by the Corporations Act for the new Ordinary Shares, then restrictions apply on the sale of the new Ordinary Shares to certain investors within 12 months of their issue. However, these restrictions will not apply if CBA makes certain compliant disclosures at the time when the Subordinated Securities are issued.

Subordinated Security Holders may receive Ordinary Shares on Exchange. The rights and liabilities attaching to Ordinary Shares are set out in the Constitution and are also regulated by the Corporations Act, ASX Listing Rules and other applicable laws.

Amendments

The Issuer may amend the Conditions:

- without the consent of Holders, as set out in the Conditions, including if the amendment is of a formal, technical or minor nature; to correct an error and where there is no material prejudice and if certain conditions are met,
 - substitute for itself a non-operating holding company (**NOHC**) as the debtor in respect of the Subordinated Securities and as issuer of the Ordinary Shares on Exchange; or
 - substitute for itself a NOHC as the issuer of the Ordinary Shares on Exchange; and
- with the consent of Holders, by a Special Resolution being passed at a duly convened meeting.

Certain amendments may require prior written approval from APRA. Approval is at the discretion of APRA and may or may not be given.

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SCHEDULE 2 – PRICING SUPPLEMENT

The following should be read in conjunction with the Conditions included in the Information Memorandum.

PRICING SUPPLEMENT

COMMONWEALTH BANK OF AUSTRALIA ABN 48 123 123 124

PROGRAM FOR THE ISSUE OF MEDIUM TERM NOTES, TRANSFERABLE CERTIFICATES OF DEPOSIT AND SUBORDINATED SECURITIES

Issue of AUD 1,000,000,000 Floating Rate Subordinated Securities due on 5 November 2024.

This Pricing Supplement is issued to give details of the Tranche of Securities. It is supplementary to, and should be read in conjunction with the Information Memorandum dated 28 October 2014 (**Information Memorandum**) for the Program for the issue of Medium Term Notes, Transferable Certificates of Deposit and Subordinated Securities (**Program**) and the Deed Poll (Subordinated Securities) dated 28 October 2014 (the **Deed Poll**) made by Commonwealth Bank of Australia, each issued in relation to the Program.

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer of solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation, and no action is being taken to permit an offering of the securities or the distribution of this Pricing Supplement in any jurisdiction where such an action is required.

Terms used but not otherwise defined in this Pricing Supplement have the meaning given in the Deed Poll. A reference to a "Condition" in this Pricing Supplement is a reference to the corresponding Condition as set out in the Deed Poll.

Overall Security Details

Issuer	:	Commonwealth Bank of Australia
Series No	:	38
Tranche No	:	1
Specified Currency of Securities (if not Australian Dollars)	:	N/A
Aggregate Notional Amount (<i>principal amount</i>)	:	
(a) Tranche	:	AUD 1,000,000,000
(b) Series	:	AUD 1,000,000,000
Issue Price	:	100 per cent of the Aggregate Notional Amount
Net Proceeds	:	AUD 1,000,000,000
Specified Denomination	:	AUD 100,000
Issue Date	:	5 November 2014
Interest Commencement Date	:	Issue Date
(<i>If different to Issue Date</i>)	:	

Maturity Date : 5 November 2024
 Redemption/Payment basis : Redemption at par
 Change of Interest or : N/A
 Redemption/Payment basis
 Status : Subordinated Security

Interest Calculation and Payment, Redemption

Interest

Fixed Rate Securities: : N/A
Floating Rate Securities : Applicable
 Interest Periods : Quarterly
 Interest Payment Dates : 5 February, 5 May, 5 August and 5 November, in each year commencing on and including 5 February 2015 up to and including the Maturity Date or Redemption Date

 Interest Period Date if not an Interest Payment Date : N/A
 Manner of determination
 (a) *ISDA Determination* : Applicable

- Floating Rate Option : AUD-BBR-BBSW
- Designated Maturity : 3 months
- Reset Date : N/A (*specify if other than first day of each Interest Accrual Period*)

 (b) *Screen Rate Determination* : N/A
 Margin(s) to Floating Rate Basis : + 1.95 per cent per annum
 Minimum Interest Rate : N/A
 Maximum Interest Rate : N/A
 Fall back provisions, rounding, denominator and any other terms if different from Conditions : N/A
 Business Day Convention : Modified Following Business Day Convention
 Day Count Fraction : Actual/365 (Fixed)

Zero Coupon Securities : N/A
Indexed Securities : N/A

Dual Currency Securities : N/A

Structured Notes : N/A

Provisions relating to Redemption

Issuer Call Option : Applicable

Option Exercise Date(s) (if other than set out in Conditions) : N/A

Optional Redemption Date(s) : Each Interest Payment Date from and including 5 November 2019. The Option Notice Period is the period of at least 20 Business Days and no more than 60 Business Days before the proposed Redemption Date.

Optional Redemption Amount(s) and method of calculating (if any) such amount(s) : Outstanding Principal Amount

Partial redemption : No

Minimum Redemption Amount : N/A

Maximum Redemption Amount : N/A

Holder Put Option : N/A

Final Redemption Amount : Outstanding Principal Amount

Early Redemption Amount payable on redemption for taxation or regulatory reasons and or method of calculating same : Outstanding Principal Amount

Provisions relating to Subordinated Securities

Subordinated Securities: Applicable

Exchange or Write Down: Exchange applies

P: 0.99

Clearing System Cut-off Date: Within 10 Business Days of the Non-Viability Trigger Event

General Provisions

Form of Securities : Registered

Additional Financial Centre(s) (for the purposes of the "Business Day" definition) or other special provisions : Sydney

relating to Interest Payment Dates

Payment Business Day Convention : Modified Following Business Day Convention
Registrar : Austraclear Services Limited
Public Offer Test Compliant : Yes
Instalment Date(s) : N/A
Instalment Amount : N/A
Calculation Agent if different to Program : N/A
Governing law : New South Wales
Other terms or special conditions : N/A

Distribution

If syndicated, names of Lead Manager(s) and the Dealer(s) : N/A
If non-syndicated name of Dealer : Commonwealth Bank of Australia
Additional selling restrictions : N/A

Operational information

ISIN : AU3FN0025367
Common Code : 113449497
Clearing System : Austraclear

CONFIRMED

For and on behalf of

Commonwealth Bank of Australia

By:


.....
Authorised Officer

Date: 3 November 2014

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SCHEDULE 3 – SUMMARY OF CBA CONSTITUTION

The constitution of CBA is dated 13 November 2008, and incorporates amendments up to and including all amendments passed at the Annual General Meeting on 13 November 2008 (**Constitution**). The Constitution provides for the following:

Rights attaching to Ordinary Shares

Ordinary Shares may be issued to Holders by way of Exchange. Ordinary Shares may also be issued to a nominee to hold for sale for your benefit if Exchange occurs and you have notified CBA that you do not wish to receive Ordinary Shares or you are an Ineligible Subordinated Holder. Any Ordinary Shares issued to Holders by way of Exchange will be fully paid and will rank equally with Ordinary Shares already on issue in all respects.

Transfers

Subject to the ASX Settlement Operating Rules, transfers of Ordinary Shares are not effective until registered. Ordinary Shares are transferable, subject to the ASX Listing Rules and the Constitution, and the right of the directors of CBA to refuse to register a transfer of Ordinary Shares in limited circumstances.

Unless otherwise required by law or the Constitution, CBA is entitled to treat the registered holder as the absolute owner of a share. Ordinary Shares held by a trustee may, with the directors' consent, be identified as being subject to the relevant trust.

Except in limited circumstances, CBA is not bound to register more than three persons as joint holders of an Ordinary Share. CBA does not issue share certificates unless required by law or the ASX Listing Rules.

Restrictions apply in respect of persons who become entitled to Ordinary Shares by reason of a holder's death, bankruptcy or mental incapacity. In the case of the death of a holder, the survivor or survivors jointly registered as shareholders and the legal personal representatives of a sole holder are the only persons CBA will recognise as having title to the member's interest in the shares.

Dividends

Holders of Ordinary Shares may receive dividends if the directors determine that a dividend is payable. CBA may not pay a dividend unless CBA's assets exceed its liabilities, the payment of the dividend is fair and reasonable to holders of Ordinary Shares as a whole and the payment does not materially prejudice the ability of CBA to pay its creditors. Payment may also be subject to the rights of holders of securities carrying preferred rights. CBA pays shareholders with registered addresses in Australia, New Zealand and the United Kingdom cash dividends by direct credit. If a direct credit payment instruction is not provided, the dividend will be held in a non-interest bearing account. CBA also has a dividend reinvestment plan for eligible shareholders. The directors of CBA determine whether or not the dividend reinvestment plan operates for each dividend and their decision is announced to ASX.

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Winding up

On winding up of CBA, holders of Ordinary Shares will participate in the division of any surplus assets of CBA (subject to the rights of holders of shares carrying preferred rights).

Meetings

Holders of Ordinary Shares are entitled to receive notice of, attend and, subject to the Constitution, to vote in person, by representative, attorney or proxy at general meetings of CBA.

On a show of hands, each holder (regardless of the number of shares held) has one vote. On a poll, each holder has one vote for each fully paid Ordinary Share held.

Issue of further shares

The directors of CBA control the issue of shares. Subject to the Corporations Act and ASX Listing Rules, the directors may issue further shares, and grant rights or options over shares, on such terms as they think fit.

Restrictions of ownership of Ordinary Shares

Australian laws including financial sector and foreign ownership and takeover laws impose certain limitations on the right of persons to hold, own or vote on Ordinary Shares.

Variation of the Constitution

CBA may seek approval by special resolution of holders of Ordinary Shares (passed by at least 75% of the votes cast by members entitled to vote on the resolution) to vary the Constitution.