

ASX ANNOUNCEMENT



Sydney, 22 April 2015

**COMMONWEALTH BANK OF AUSTRALIA
ISSUE OF €1,250,000,000 2.0% TIER 2 CAPITAL SUBORDINATED NOTES
NOTICE UNDER SECTION 708A(12G)(e) CORPORATIONS ACT 2001 (CTH)**

Commonwealth Bank of Australia (“CBA”) is pleased to confirm that, on 22 April 2015, it issued €1,250,000,000 worth of subordinated notes. The €1,250,000,000 2.0% Tier 2 Capital subordinated notes due 2027 were issued pursuant to its Euro Medium Term Note Programme (“Subordinated Notes”). Terms used but not defined in this announcement are defined in the Offering Circular dated 20 April 2015 (“Offering Circular”).

The Subordinated Notes 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. This notice includes:

- in schedule 1, a description of the rights and liabilities attaching to Subordinated Notes that is based on the Conditions of the Subordinated Notes in the Offering Circular and the description of the form of the Subordinated Notes from the section of the Programme Circular headed “Form of the Notes” incorporated by reference in the Offering Circular; and
- in schedule 2, a description of the rights and liabilities attaching to Ordinary Shares.

CBA confirms that:

- (a) Subordinated Notes 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 [C010/322], 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 NOTES OFFER ON CBA

The issue of Subordinated Notes 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 74.5046 Ordinary Shares per Subordinated Note (with a nominal value of A\$1,397.59), based on the Issue Date VWAP of A\$93.7922 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 Offering Circular;
- CBA's annual financial report for the year ended 30 June 2014;
- CBA's profit announcement for the half year ended 31 December 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.

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

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 Notes 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 Notes 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 NOTES

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

A. PROVISIONS APPLICABLE TO THE SUBORDINATED NOTES

Issuer:	Commonwealth Bank of Australia (CBA or the Issuer)
Description:	A euro denominated debt issuance of Subordinated Notes. The Subordinated Notes represent subordinated obligations of the Issuer.
Joint Lead Managers:	Barclays Bank PLC Commonwealth Bank of Australia Deutsche Bank AG, London Branch UBS Limited
Registrar:	Deutsche Bank Luxembourg S.A..
Form:	Each Subordinated Note will be: <ul style="list-style-type: none">• denominated in euro;• registered on a register located in Luxembourg (Register);• a debt obligation of the Issuer;• subject to the relevant Conditions (set out in this Offering Circular)
Title:	Entry of the name of the person in the Register in respect of a Subordinated Note constitutes or passes title to the Subordinated Note and is conclusive evidence of that person's entitlements to receive interest and repayment of principal in the manner provided for in the Conditions.
Denomination:	Subordinated Notes will be issued in a specified denomination of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof.
Clearing System:	The Subordinated Notes will initially be represented by a global

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note in registered form (a **Registered Global Note**). Registered Global Notes will be deposited with a common depository for Euroclear and Clearstream, Luxembourg and will be registered in the name of its nominee. 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 Subordinated Notes.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Subordinated Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Subordinated Holders in accordance with the Conditions if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, 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) may give notice to the Registrar 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.

For so long as any of the Subordinated Notes are represented by a Registered Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) 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 Subordinated Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Subordinated 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 as the holder of such nominal amount of Subordinated Notes for all purposes other than with respect to payments on the Subordinated Notes for which purpose the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Paying Agent as the holder of such Subordinated Notes in accordance with and subject to the terms of the relevant Subordinated Global Note and the terms "Subordinated Holder" and "holder of Subordinated Notes" and related expressions shall be construed accordingly.

For these purposes, **Exchange Event** means that (i) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg 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

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system is available or (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Subordinated Notes represented by the Registered Global Note to be in definitive form.

Payments:

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 the registered holder of the Registered Global Notes. None of the Issuer, 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.

Payment in respect of Subordinated Notes held in Euroclear and/or Clearstream, Luxembourg and which are represented by a Registered Global Note will only be made in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg as the case may be.

Payments of principal, interest or any other amount in respect of the definitive Subordinated Notes will, in the absence of provision to the contrary, be made to the persons shown on the Register at the close of business on the fifteenth day immediately preceding the due date for payment.

Transfer:

Subordinated Notes can only be transferred in accordance with the Conditions.

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

Taxes:

All payments of principal and interest in respect of the Subordinated Notes 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 any withholding or deduction is required by law, the Issuer must pay such additional amounts to the Subordinated Holders that will result in those Subordinated Holders receiving the

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amounts they would have received had no such withholding or deduction been required, except that no additional amounts will be payable with respect to any Subordinated Note:

- 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 associate (as that term is defined in the Australian Tax Act) of the Issuer and the payment being sought is not, or will not be, exempt from interest withholding tax because of section 128F(6) of the Australian Tax Act;
- if (in the case of a payment of principal or interest on redemption) the relevant Subordinated Note is surrendered for payment more than 30 days after the Relevant Date except to the extent that the Subordinated Holder would have been entitled to such additional amounts on surrendering such Subordinated Note for payment on the last day of such period of 30 days;
- by or on behalf of a Subordinated Holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying with any statutory requirements in force at the present time or in the future or by making a declaration of non-residence or other claim or filing for exemption;
- where such withholding or deduction is imposed on a payment and is required to be made pursuant to European 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;
- by or on behalf of a Subordinated Holder who would be able to avoid such withholding or deduction by presenting the relevant Subordinated Note to another Paying Agent in a member state of the European Union which does not impose such withholding or deduction; or
- for, or on account of any withholding or deduction required pursuant to FATCA (defined below).

FATCA: Holders may be subject to FATCA withholding Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (**FATCA**) imposes a new reporting regime and potentially a 30 per cent. withholding tax

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and information reporting: with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "FFI" (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("IRS") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer (a "Recalcitrant Holder"). The Issuer is classified as an FFI.

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Subordinated Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the "grandfathering date", which is the later of (a) 1 July 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Subordinated Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Subordinated Notes are issued before the grandfathering date, and additional Subordinated Notes of the same series are issued on or after that date, the additional Subordinated Notes may not be treated as grandfathered, which may have negative consequences for the existing Subordinated Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "IGA"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "FATCA Withholding") from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders.

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Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

The Issuer and financial institutions through which payments on the Subordinated Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Subordinated Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Subordinated Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Subordinated Notes by the Issuer, any paying agent and the common depositary, given that each of the entities in the payment chain beginning with the Issuer and ending with the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Subordinated Notes. The documentation expressly contemplates the possibility that the Subordinated Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. 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 Subordinated Notes.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

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Investors should obtain their own taxation advice regarding the taxation status of investing in Subordinated Notes

Governing law: English law (except for Conditions 3 (*Status and ranking*), 4 (*Automatic Exchange or Write Down upon the occurrence of a Non-Viability Trigger Event*), 5 (*General provisions applicable to Exchange*) and 11 (*Substitution of the Issuer*), which will be governed by and construed in accordance with the law applying in New South Wales)

Listing: Application has been made for the Subordinated Notes to be listed on the ASX or the securities market operated by it, as the context requires

Issue Price 99.638 per cent

Status and ranking: Subordinated Notes 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

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- (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) qualifies as Tier 1 Capital (or, in the case of any instrument issued prior to 1 January 2013), was treated as 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 Notes.*

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

Maturity Date: 22 April 2027

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 Notes 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

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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 Note; or
- for the winding up of the Issuer in Australia (but not elsewhere).

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.

Interest:

The interest rate will be:

- a) for the period from (and including) the Issue Date to (but excluding) 22 April 2022 (the **Optional Redemption Date**) 2.0 per cent. per annum (being a yield of 2.056 per cent per annum on the Issue Price, where the yield is equal to the aggregate of the Reference Rate on 15 April 2015 and the Margin of 1.75 per cent. per annum) (the **Initial Interest Rate**); and
- b) for the period from (and including) the Optional Redemption Date to (but excluding) the Maturity Date, the rate per annum equal to the aggregate of the Reference Rate on the Reset Determination Date and the Margin (the **Reset Interest Rate**), as determined by the Principal Paying Agent on the Reset Determination Date.

A Subordinated Note bears interest on its Outstanding Principal Amount, subject to the Conditions.

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Interest is payable annually in arrear on 22 April in each year (each an **Interest Payment Date**) up to and including the Maturity Date. No interest accrues on Subordinated Notes, or the relevant percentage of Subordinated Notes, 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).

Redemption or Repurchase: Each Subordinated Note will be Redeemed on the Maturity Date for its Final Redemption Amount unless previously Redeemed, Exchanged or Written Down in full.

The Issuer may Redeem all or some Subordinated Notes on an Optional Redemption Date in accordance with the Conditions. This option is not exercisable before the fifth anniversary of the Issue Date of the Subordinated Notes.

In certain circumstances following notice by the Issuer, the Issuer may Redeem all (but not some) of the Subordinated Notes 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 Notes 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) of the Subordinated Notes 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 the Subordinated Notes 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 the Subordinated Notes 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 the Subordinated Notes is subject to the prior written approval of APRA.

Subordinated Holders should not expect that APRA's approval will

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be given for any early Redemption or Repurchase of Subordinated Notes.

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.

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

- (i) an Exchange of all or some Subordinated Notes, 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).

Exchange or Write Down on the occurrence of a Non-Viability Trigger Event: If a Non-Viability Trigger Event occurs, the Issuer must Exchange in accordance with the Conditions such number of Subordinated Notes (or, if it so determines, such percentage of the Outstanding Principal Amount of each Subordinated Note) 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, 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 Note, 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 all Subordinated Notes.

In determining the number of Subordinated Notes, or percentage of the Outstanding Principal Amount of each Subordinated Note, which must be Exchanged, 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 of the Subordinated Notes;

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- (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 of the Subordinated Notes; and
- (iii) thirdly, if exchange, conversion or write down of those securities is not sufficient, Exchange (in the case of the Subordinated Notes) or exchange, convert or write down (in the case of any 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 Notes 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 Notes or other Relevant Tier 2 Securities remaining on issue),

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

If a Non-Viability Trigger Event has occurred and all or some of the Subordinated Notes (or percentage of the Outstanding Principal Amount of each Subordinated Note) are required to be Exchanged, then:

- a) Exchange of the relevant Subordinated Notes or percentage of the Outstanding Principal Amount of each Subordinated Note will occur immediately upon the date of occurrence of the Non-Viability Trigger Event; and
- b) the entry of the corresponding Subordinated Note in each relevant Subordinated Holder's holding in the Register will constitute an entitlement of that Subordinated Holder (or of the nominee) to the relevant number of Ordinary Shares.

If, for any reason, Exchange of any Subordinated Note (or a percentage of the Outstanding Principal Amount of any Subordinated Note) required to be Exchanged fails to take effect and the Issuer has not otherwise issued 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, then the relevant Subordinated Holder's

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rights (including to payment of the Outstanding Principal Amount and Interest and the right to receive Ordinary Shares) in relation to such Subordinated Notes or percentage of the Outstanding Principal Amount of the Subordinated Notes are immediately and irrevocably terminated (**Written Down**) with effect from 5.00 p.m. (Sydney time) on the fifth Business Day after the date of the occurrence of the Non Viability Trigger Event. The Issuer must give notice as soon as practicable that Write Down has occurred to the Registrar and the Subordinated Holders, and the notice must specify the date on which the Non-Viability Trigger Event occurred.

Exchange Mechanics

On the Exchange Date, the Issuer will allot and issue the Exchange Number of Ordinary Shares for each Subordinated Note (or percentage of the Outstanding Principal Amount of each Subordinated Note) 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:

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

where:

P means 0.99.

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.

Exchange Date Cross Rate means the average (rounded to six decimal places) of the inverse AUD/EUR exchange rates published by the Reserve Bank of Australia at approximately 4.00 p.m. (Sydney time) on each of the Business Days during the five

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Business Day period immediately preceding (but excluding) the Exchange Date or, if such exchange rate is not published by the Reserve Bank of Australia on any of such Business Days, the Exchange Date Cross Rate will be the simple average of the inverse AUD/EUR exchange rate quoted by two or more independent market makers in that exchange rate, selected by the Issuer on the Exchange Date.

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

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

Issue Date Cross Rate means the average (rounded to six decimal places) of the inverse AUD/EUR exchange rates published by the Reserve Bank of Australia at approximately 4.00 p.m. (Sydney time) on each of the Business Days during the 20 Business Day period immediately preceding (but excluding) the Issue Date or, if such exchange rate is not published by the Reserve Bank of Australia on any of such Business Days, the Issue Date Cross Rate will be the simple average of the inverse AUD/EUR exchange rate quoted by two or more independent market makers in that exchange rate, selected by the Issuer, at approximately 4.00 p.m. (Sydney time) on the Issue Date.

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

If the Subordinated Notes of a Subordinated Holder are required to be Exchanged and:

- 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, subject to the Conditions, on the Exchange Date, the

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Subordinated Holder's rights (including to payment of Interest) in relation to such Subordinated Notes being Exchanged are immediately and irrevocably terminated and 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.

Investment Risks

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

In addition to the credit risks associated with the Issuer, an investment in securities which are denominated in a currency which is not freely convertible or freely available outside of the PRC, gains on the transfer of which may become subject to income tax in the PRC and the interest rate on which will reset, may entail significant risks not associated with similar investments in a conventional debt security, including the risk 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 euro, commodities, interest rates or other indices or formulae should be taken as an indication of future performance of the euro, commodities, interest rates or other indices or formulae during the term of any Subordinated Notes.

Additional Viability Event Risk

Non- Trigger

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

As outlined in the sections above titled "Non-Viability Trigger Event" and "Exchange or Write Down on the occurrence of a Non-Viability Trigger Event", Subordinated Notes are subject to a Non-Viability Trigger Event that could lead to Subordinated Notes being Exchanged or Written Down.

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

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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 a Non-Viability Trigger Event occurs, the Issuer must immediately Exchange such number of the Subordinated Notes (or a percentage of the Outstanding Principal Amount of each Subordinated Note) as specified by APRA or necessary to satisfy APRA that the Issuer will no longer be non-viable. In the case of a public sector injection of capital, or equivalent support, all Subordinated Notes must be Exchanged. The Exchange will be irrevocable.

If Subordinated Notes 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 Holders will receive a number of Ordinary Shares with a value significantly less than the Outstanding Principal Amount.

If for any reason the Exchange is not effective and the Issuer has not otherwise issued Ordinary Shares within five Business Days, then Subordinated Holders' rights under the Subordinated Notes will be terminated and the Outstanding Principal Amount will not be repaid and Interest will not be paid.

If Subordinated Notes are Exchanged following the occurrence of a Non-Viability Trigger Event, sale of Ordinary Shares issued on Exchange may be restricted by applicable Australian law, including, pursuant to Chapter 6 of the Corporations Act, investors in the Subordinated Notes may be prohibited from receiving or acquiring Ordinary Shares on Exchange if as a result of such Exchange their voting power in the Issuer increases from 20 per cent. or below to more than 20 per cent., or from a starting point that is above 20 per cent. and below 90 per cent., unless the shares are acquired in a manner specifically permitted under an exception.

Subordinated 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:

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- without the consent of Subordinated 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 to the interests of Subordinated Holders; or to enable the substitution of a NOHC as the issuer of the Ordinary Shares on Exchange provided certain substitution conditions are satisfied; and
- with the consent of Holders, by an Extraordinary 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– SUMMARY OF CBA CONSTITUTION

Ordinary Shares may be issued to Subordinated Holders by way of Exchange. Ordinary Shares may also be issued to a nominee to hold for sale for the benefit of a Subordinated Holder if Exchange occurs and the Holder has notified CBA that they do not wish to receive Ordinary Shares or the Subordinated Holder is an Ineligible Subordinated Holder.

The rights and liabilities attaching to Ordinary Shares are set out in the 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

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. If CBA is required to issue a share certificate for a share by law or the ASX Listing Rules, CBA is not required to issue more than one certificate.

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

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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.

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.