

ASX ANNOUNCEMENT



Sydney, 3 June 2016

**COMMONWEALTH BANK OF AUSTRALIA
ISSUE OF \$A750,000,000 SUBORDINATED FLOATING RATE SECURITIES
NOTICE UNDER SECTION 708A(12H)(e) CORPORATIONS ACT 2001 (CTH)**

Commonwealth Bank of Australia ("CBA") is pleased to confirm that, on 3 June 2016, it issued A\$750,000,000 subordinated floating rate securities due June 2026 ("Subordinated Securities"). The Subordinated Securities were issued under CBA's A\$ debt program. Terms used but not defined in this announcement are defined in the Information Memorandum dated 28 October 2014 relating to the Subordinated Securities ("Information Memorandum") as amended and supplemented by the Pricing Supplement for the Subordinated Securities dated 1 June 2016 ("Pricing Supplement").

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(12H)(e) of the Corporations Act 2001 (Cth) ("Corporations Act") (as inserted by ASIC Corporations (Regulatory Capital Securities) Instrument 2016/71). 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 all the information investors and their professional advisers would reasonably require to make an informed assessment of:

- in schedule 1, the rights and liabilities attaching to the Subordinated Securities that is based on the description in the Information Memorandum (as applicable to the Subordinated Securities and as amended and supplemented by the Pricing Supplement); and
- in schedule 2, the rights and liabilities attaching to Ordinary Shares,

in each case only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in this notice.

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;

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- (c) this notice (including the schedules) complies with section 708A of the Corporations Act, as modified by ASIC Corporations (Regulatory Capital Securities) Instrument 2016/71; and
- (d) CBA has complied with section 708A(12I) of the Corporations Act as inserted by ASIC Corporations (Regulatory Capital Securities) Instrument 2016/71.

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 6,448.5925 Ordinary Shares per Subordinated Security (with a nominal value of A\$100,000), based on the Issue Date VWAP of A\$77.5363 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 can be obtained from, or inspected at, an ASIC office. They can also be obtained from www.asx.com.au together with CBA's other ASX announcements.

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:

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- CBA's annual financial report for the year ended 30 June 2015;
- CBA's profit announcement for the half year ended 31 December 2015;
- any continuous disclosure notices given by CBA in the period after the lodgement of its annual financial report for the year ended 30 June 2015 and before the date of this notice; and
- CBA's constitution.

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

Investor Relations
Commonwealth Bank of Australia
Ground Floor, 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 and the Pricing Supplement. Capitalised terms not otherwise defined have the meaning given to them in the Conditions of the Subordinated Securities which are set out in the Information Memorandum and amended and supplemented by the Pricing Supplement.

Issuer:	Commonwealth Bank of Australia (CBA or the Issuer)
Description:	\$750,000,000 Subordinated Floating Rate Securities due June 2026, issued under the Issuer's Australian Dollar denominated debt issuance program.
Issue size:	A\$750,000,000
Issue Date:	3 June 2016.
Issue Price:	100 per cent. of the Aggregate Outstanding Principal Amount
Direct issues by Issuer:	The Issuer may issue Subordinated 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 Subordinated Securities resulted from the Subordinated 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).
Calculation Agent:	CBA.
Form:	Each Subordinated Security will be: <ul style="list-style-type: none">• denominated in Australian Dollars;• registered on a register located in Sydney (unless otherwise agreed) (Register);• a debt obligation of the Issuer constituted by, and owing under, the Subordinated Deed Poll;• subject to the relevant Conditions of the Subordinated

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Securities (set out in the Information Memorandum) as amended and supplemented by the Pricing Supplement.

Title: Entry of the name of the person in the Register in respect of a Subordinated Security constitutes or passes title to the Subordinated 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 of the Subordinated Securities. No certificates will be issued unless the Issuer is required to do so by applicable law or regulation. Subordinated Securities that are held in the Austraclear System will be registered in the name of Austraclear and title to the Subordinated Securities will be determined in accordance with the Austraclear Regulations.

Denomination: Subordinated Securities will be issued in denominations of A\$100,000.

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

The Issuer will apply to Austraclear for approval for the Subordinated Securities to be traded on the settlement system operated by Austraclear (**Austraclear System**). Such approval of the Subordinated Securities by Austraclear is not a recommendation or endorsement by Austraclear of the Subordinated Securities.

Subordinated 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**) (together with the Austraclear System, Euroclear and Clearstream, each a **Clearing System**).

Subordinated 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 of the Subordinated Securities 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

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relevant Record Date (ie the date seven days prior to the relevant payment date).

For so long as the Subordinated Security is registered in the name of Austraclear, payments will be made in accordance with the Austraclear Regulations.

If a Subordinated 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 Subordinated 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.

Transfer:

Subordinated Securities can only be transferred in accordance with the Conditions of the Subordinated Securities.

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

Subordinated Securities may only be transferred within, to or from Australia in denominations of A\$100,000 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.

Subordinated 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

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complies with the relevant laws of the relevant jurisdiction in which the transfer takes place.

Taxes:

All payments of principal and interest in respect of the Subordinated 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 of the Subordinated Securities.

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).

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**) establish, in an effort to assist the United States Internal Revenue Service (**IRS**) in enforcing U.S. taxpayer compliance, a new due diligence, reporting and withholding regime. Under FATCA, a 30% withholding may be imposed (i) in respect of certain U.S. source payments, (ii) from 1 January 2019 in respect of gross

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proceeds from the sale of assets that give rise to U.S. source interest or dividends and (iii) from 1 January 2019, at the earliest, in respect of “foreign passthru payments” (a term which is not yet defined under FATCA), which are, in each case, paid to or in respect of entities that fail to meet certain certification or reporting requirements or do not comply with FATCA.

Financial institutions through which payments on the Subordinated Securities are made may be required to withhold on account of FATCA. A withholding may be required if (i) an investor does not provide information sufficient for the relevant financial institution to determine whether the investor is subject to any withholding or deduction imposed under FATCA (**FATCA Withholding**) or (ii) a foreign financial institution (**FFI**) to or through which payments on the Subordinated Securities are made is a “non-participating FFI”.

FATCA Withholding is not expected to apply if, in respect of foreign pass-thru payments only, the Subordinated Securities are treated as debt for U.S. federal income tax purposes and the Subordinated Securities are issued on or before the date that is six months after the date on which final regulations defining the term “foreign passthru payment” are filed with the U.S. Federal Register (the “grandfathering date”) provided that the Subordinated Securities are not materially modified after the grandfathering date.

The Australian Government and U.S. Government signed an intergovernmental agreement with respect to FATCA (IGA) on 28 April 2014. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act to give effect to the IGA (**Australian Amendments**) and that legislation came into force on 30 June 2014.

Australian financial institutions which are “Reporting Australian Financial Institutions” under the IGA must follow specific due diligence procedures to identify their account holders (e.g. the Holders) and provide information about financial accounts held by U.S. persons and recalcitrant account holders and on

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payments made to non-participating FFIs, to the Australian Taxation Office (**ATO**). The ATO is required to provide that information to the IRS. Under the Australian Amendments, Australian FFIs will generally be able to be treated as “deemed compliant” with FATCA. Depending on the nature of the relevant FFI, FATCA Withholding may not be required from payments made with respect to the Securities other than in certain prescribed circumstances.

The Holders may be requested to provide certain certifications and information to financial institutions through which payments on the Subordinated Securities are made in order for the financial institutions to comply with their FATCA obligations. If a payment to a Holder is subject to withholding as a result of FATCA, there will be no “gross up” (or any additional amount) payable by the Issuer by way of compensation to the Holder for the deducted amount.

FATCA is particularly complex legislation and its application is uncertain at this time.

The above discussion is based in part on the IGA, the Australian Amendments, guidance issued by the ATO and regulations and guidance of the U.S. Treasury Department, all of which may be subject to change in a way that would alter the application of FATCA to the Issuer and the Subordinated Securities. Each 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 Subordinated Securities.

Public offer test: The Issuer proposes to issue Subordinated Securities and to

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make payments of interest in a manner that will satisfy section 128F of the Income Tax Assessment Act 1936 of Australia.

Governing law: New South Wales

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

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

See also the section below titled “Additional Non-Viability Trigger Event Risk”.

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

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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:

- (a) any instrument, present and future, issued by the Issuer which 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 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

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purposes of the Banking Act.

Maturity Date: The Interest Payment Date falling in or nearest to June 2026.

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 to the extent that, immediately after the payment, the Issuer will not be Solvent); or
- (b) an order is made by a court of competent jurisdiction (other than an order successfully appealed or permanently stayed within 30 Business Days), or an effective resolution is passed, for the winding up of the Issuer in Australia.

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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A “winding-up” will not occur solely by reason of (i) an application to wind up being made or (ii) the appointment of a receiver, administrator or official with similar powers under section 13A(1) of the Banking Act.

Interest: The Subordinated Securities are 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 Non-Viability Trigger Event 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.

Redemption or Repurchase: Each Subordinated Security will be Redeemed on the Maturity Date 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 each Interest Payment Date from and including 3 June 2021 up to but excluding the Maturity Date (each, an **Optional Redemption Date**) in accordance with the Conditions of the Subordinated Securities.

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.

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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 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.

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

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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 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 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 rights (including to payment of the Outstanding Principal Amount and Interest, and any right to receive Ordinary Shares) in relation to such Subordinated Securities or percentage of the Outstanding Principal Amount of the Subordinated Securities are immediately and irrevocably terminated (**Written Down**) and such termination will be taken to have occurred immediately on the date of the occurrence of the Non-Viability Trigger Event.

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.

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,

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calculated according to the following formula:

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

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.

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.

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

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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.

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.

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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 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 Exchange is not effective and the Issuer is not otherwise able to issue Ordinary Shares within five Business Days, then Subordinated Holders' rights (including to payment of the Outstanding Principal Amount and Interest, and to receive Ordinary Shares) in relation to such Subordinated Securities being Exchanged are immediately and irrevocably terminated. Subordinated Holders' investment will lose all of its value, the Outstanding Principal Amount will not be repaid and Subordinated Holders will not receive any compensation.

If Subordinated Securities 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, 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 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 Subordinated Holders, as set out in the Conditions, including if the amendment is: (a) of a formal, technical or minor nature; (b) to correct an error or (c) where it is not materially prejudicial to the interests of Subordinated Holders as a whole;
- without the consent of Subordinated Holders, if certain

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conditions are met, to:

- 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.

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

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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.

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.