

# ASB Subordinated Notes Investment Statement

17 March 2014

## Issuer of ASB Subordinated Notes

ASB Bank Limited

## Issuer of CBA Ordinary Shares if ASB Subordinated Notes are Exchanged

Commonwealth Bank of Australia ABN 48 123 123 124

## Arrangers

Commonwealth Bank of Australia  
Goldman Sachs New Zealand Limited

## Joint Lead Managers

ASB Securities Limited  
Deutsche Craigs Limited  
Forsyth Barr Limited  
Goldman Sachs New Zealand Limited  
Macquarie Capital (New Zealand) Limited

This investment is riskier than a bank deposit.  
The securities are not call deposits or term  
deposits with ASB Bank Limited and may not be  
suitable for many investors.

Investments in ASB Subordinated Notes are an investment in ASB and may be affected by the ongoing performance, financial position and solvency of ASB. ASB Subordinated Notes may also be affected by the ongoing performance, financial position and solvency of CBA. They are not deposit liabilities or protected accounts of CBA for the purposes of the Australian Banking Act.

## Important Information

(The information in this section is required under the Securities Act 1978.)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

## Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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## The Financial Markets Authority regulates conduct in financial markets

The Financial Markets Authority regulates conduct in New Zealand's financial markets. The Financial Markets Authority's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets.

For more information about investing, go to <http://www.fma.govt.nz>

## Financial advisers can help you make investment decisions

Using a financial adviser cannot prevent you from losing money, but it should be able to help you make better investment decisions.

Financial advisers are regulated by the Financial Markets Authority to varying levels, depending on the type of adviser and the nature of the services they provide. Some financial advisers are only allowed to provide advice on a limited range of products.

When seeking or receiving financial advice, you should check:

- the type of adviser you are dealing with;
- the services the adviser can provide you with;
- the products the adviser can advise you on.

A financial adviser who provides you with personalised financial adviser services may be required to give you a disclosure statement covering these and other matters. You should ask your adviser about how he or she is paid and any conflicts of interest he or she may have.

Financial advisers must have a complaints process in place and they, or the financial services provider they work for, must belong to a dispute resolution scheme if they provide services to retail clients. So if there is a dispute over an investment, you can ask someone independent to resolve it.

Most financial advisers, or the financial services provider they work for, must also be registered on the financial service providers register. You can search for information about registered financial service providers at <http://www.fspr.govt.nz>.

You can also complain to the Financial Markets Authority if you have concerns about the behaviour of a financial adviser.

## FMA warning statement

This investment is riskier than a bank deposit. These ASB Notes are complex instruments and might not be suitable for many investors.

These ASB Notes carry similar risks to shares in ASB but do not have the same opportunity for growth as shares.

The risks associated with these ASB Notes could result in the loss of your investment and any associated income.

The ASB Notes are not guaranteed by ASB or any other person.


If ASB or CBA experiences severe financial difficulty, the ASB Notes may be exchanged for ordinary shares of CBA or written off.

You will not have any choice as to whether an exchange or write-off occurs, and you may not have a chance to sell your ASB Notes before the exchange or write-off.

The value of the CBA Ordinary Shares that you receive if this occurs is likely to be less than the amount you invest in these ASB Notes.

If exchange is required but is not possible, the ASB Notes will be immediately written off in part or in whole and you will lose your investment.

The table shows how these ASB Notes would rank upon a winding-up of ASB if exchange does not occur and the ASB Note is not written off.

		Examples	Examples of existing ASB securities
Higher ranking/ Earlier priority/ First to be repaid  Lower ranking/ Later priority/ Last to be repaid	<b>Higher ranking obligations</b>	Secured debt and creditors preferred by law	Secured creditors such as money held with clearing systems and covered bond programmes  Liabilities given preference by law including employee entitlements and taxes
		Unsubordinated unsecured debt	Deposit accounts, senior bonds and trade and general creditors
	<b>Equal ranking obligations</b>	Term subordinated debt	None currently
	<b>Lower ranking obligations</b>	Perpetual subordinated and unsecured debt	None currently
		Preference shares and other equally ranked instruments	Perpetual Preference Shares issued in 2006
		Ordinary shares	Ordinary shares in ASB

We recommend that you consult an independent financial adviser before deciding whether or not to invest and that you make certain that you are comfortable that this investment is suitable for your needs.

Further information about key risks of this investment can be found on pages 22-28 of this investment statement.

## Important notice

### Investment Statement

This Investment Statement relates to the offer by ASB Bank Limited (“**ASB**”) of subordinated, unsecured debt securities (“**ASB Notes**”) in New Zealand to raise up to NZ\$300 million, with the ability to accept oversubscriptions of up to NZ\$100 million (“**Offer**”). In certain circumstances, ASB Notes may be exchanged for ordinary shares (“**CBA Ordinary Shares**”) issued by Commonwealth Bank of Australia (“**CBA**”).

This is an investment statement for the purposes of the Securities Act 1978. It is an important document and should be read in its entirety. This Investment Statement is dated 17 March 2014.

### Documents relevant to the Offer

The purpose of this Investment Statement is to provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to subscribe for ASB Notes.

In addition to this Investment Statement, the following documents are relevant to the Offer and can be obtained from [www.asb.co.nz/subordinated-notes](http://www.asb.co.nz/subordinated-notes):

- the Terms of ASB Notes (see the Appendix to this Investment Statement);
- the Deed Poll made by ASB (under which ASB Notes are issued);
- the Co-Ordination Agreement between ASB, ASB Holdings Limited and CBA (which contains provisions relating to the Exchange of ASB Notes); and
- the CBA Constitution (which is relevant if ASB Notes are Exchanged into CBA Ordinary Shares).

Investors should note that other information is available in ASB's latest quarterly disclosure statement (which contains ASB's latest financial statements) and in CBA's latest annual financial report lodged with ASIC on 19 August 2013 and profit announcement for the half year ended 31 December 2013 (which contains CBA's most recent financial statements) lodged with ASIC on 12 February 2014.

See Section 2.11 “*What other information can I obtain about this investment?*” for how to obtain copies of these documents.

In addition to reading this Investment Statement in full, it is important that you read these documents in full before deciding to invest in ASB Notes.

If you have any questions, you should seek advice from your financial or other professional adviser before deciding to invest in ASB Notes.

### ASB Notes are not deposit liabilities or protected accounts and are not guaranteed

ASB Notes are not deposit liabilities or protected accounts of CBA for the purposes of the Australian Banking Act and are not guaranteed or insured by any person, government, government agency or compensation scheme. CBA does not guarantee ASB.

### No representations other than in this Investment Statement

No person is authorised to provide any information or to make any representation in connection with the Offer that is not contained in this Investment Statement. Any information or representation not contained in this Investment Statement may not be relied upon as having been authorised by ASB or CBA.

### Restrictions on foreign jurisdictions

This Investment Statement only constitutes an offer of ASB Notes in New Zealand. ASB has not taken and will not take any action which would permit a public offering of ASB Notes, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand). ASB Notes may only be offered for sale or sold in conformity with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered. Any information memorandum, prospectus, circular, advertisement or other offering material in respect of ASB Notes may only be published, delivered or distributed in or from any country or jurisdiction under circumstances which will result in compliance with all applicable laws, regulations and listing rules of any applicable stock exchange.

### You indemnify ASB

Under the Deed Poll you indemnify ASB in respect of any loss incurred as a result of you breaching the above selling restrictions.

### Providing personal information

You will be asked to provide personal information to ASB (directly or via its agents) if you apply for ASB Notes. ASB may share this information with any other member of the CBA Group for any purpose in connection with ASB Notes, including in relation to the issue and holding of CBA Ordinary Shares.

### Governing law

This Investment Statement and the contracts that arise from the acceptance of Applications are governed by New Zealand law.

ASB Notes and the Terms are governed by New Zealand law, other than clauses 4 and 5 of the Terms, which are governed by the law of New South Wales, Australia.

### Defined words and expressions

Some words and expressions used in this Investment Statement have defined meanings. These words and expressions are capitalised and are defined in Section 6 “*Glossary*”.

A reference to \$, NZ\$, NZ Dollar or New Zealand cent in this Investment Statement is a reference to New Zealand currency and a reference to A\$, Australian Dollar or Australian cent in this Investment Statement is a reference to Australian currency unless otherwise stated. A reference to time in this Investment Statement is a reference to Auckland, New Zealand time unless otherwise stated.

## Diagrams

The diagrams used in this Investment Statement are illustrative only. They may not necessarily be shown to scale. The diagrams are based on information which is current as close as is practicable to the date of this Investment Statement.

## NZX waivers

NZX has provided a number of technical waivers from the NZX Listing Rules that reflect the nature of the ASB Notes and that the issuer is a registered bank. These are: (i) that no trustee is required to be appointed in accordance with NZX Listing Rule 3.2.1(a); (ii) that the 10 business days' notice requirement in NZX Listing Rule 7.12.2 does not apply to routine payments of interest or where ASB Notes are Exchanged; and (iii) that ASB is able to provide its quarterly disclosure statements as a registered bank instead of complying with NZX Listing Rules 10.3 and 10.4.

The waiver from NZX Listing Rule 7.12.2 is subject to the following conditions:

- that this Investment Statement discloses: (i) the timing of, and record date for, routine payments of Interest; (ii) the process for determining the Interest Rate and the date on which the Interest Rate will be announced via NZX; and (iii) the information required by NZX Listing Rule 7.12.2 regarding Exchange which is known at the date of this Investment Statement;
- that the Interest Rate is announced via NZX on or before the Issue Date; and
- that a notice under NZX Listing Rule 7.12.2 following an Exchange must be given as soon as practicable and in any event before the NZX Debt Market opens for trading on the Business Day after Exchange occurs.

## ASX waivers

Although ASB Notes will not be quoted on the Australian Securities Exchange, ASX Limited ("**ASX**") has confirmed that ASB Notes will be classified as debt securities and, in relation to the Offer, that:

- ASX Listing Rule 7.1 has been waived to permit CBA to issue CBA Ordinary Shares following a Non-Viability Trigger Event in accordance with the Terms without CBA shareholder approval; and
- ASX Listing Rule 10.11 has been waived to permit related parties (e.g. directors) of CBA to acquire CBA Ordinary Shares following a Non-Viability Trigger Event without CBA shareholder approval.

ASX takes no responsibility for the contents of this Investment Statement.

## Securities Act exemptions

ASB Notes are offered with the benefit of the Securities Act (Banks' Regulatory Capital) Exemption Notice 2014. The exemption notice exempts CBA from the requirement to register a prospectus and provide a separate investment statement for CBA Ordinary Shares on the condition that potential investors receive relevant up-front and ongoing information on ASB Notes and the CBA Ordinary Shares. The exemption notice also allows information about the assets of both ASB and CBA that is relevant to the Offer to be included in this Investment Statement.

## ASIC relief and modifications

The Australian Securities and Investments Commission ("**ASIC**") has granted certain relief from, and modifications to, section 708A (as notionally modified by ASIC Class Orders [CO 08/35] and [CO 10/322]) and section 9 of the Australian Corporations Act to enable CBA Ordinary Shares or ordinary shares of a NOHC (where ASB has substituted a NOHC for CBA as the issuer of ordinary shares on Exchange) issued on Exchange of ASB Notes to be on-sold to retail investors on the basis that the ASB Notes were issued to investors under a cleansing notice to be jointly issued by CBA and ASB.

Upon request during the Offer Period, CBA will provide a copy of its latest annual financial report lodged with ASIC on 19 August 2013, profit announcement for the half year ended 31 December 2013 lodged with ASIC on 12 February 2014 and any continuous disclosure notices given by CBA in the period after the lodgement of its latest annual financial report and before the date of this Investment Statement.

This document is not an Australian prospectus for the purposes of the Australian Corporations Act. However, it will be released to ASX as a notice under section 708A (as notionally modified by ASIC Class Orders [CO 08/35] and [CO 10/322] and the relief referred to above).

ASIC takes no responsibility for the content of this Investment Statement.

## Consents

Each of the parties listed in the Corporate Directory:

- has given and has not, before the date of this Investment Statement, withdrawn its consent to be named in this Investment Statement in the form and context in which it is named;
- has not made any statement in this Investment Statement or any statement on which a statement made in this Investment Statement is based, other than as specified below; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this Investment Statement, other than the reference to its name and/or statement or report included in this Investment Statement with the consent of that party.

PricewaterhouseCoopers has given its consent to the inclusion of references in this document to the audited financial statements of ASB and CBA, in the form and context in which they appear. PricewaterhouseCoopers has not been involved in the preparation of this document, and has not authorised or caused the issue of this document.

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## Key dates for the Offer

Bookbuild Date	Announcement of Margin and Interest Rate	Opening Date for the Offer
24/03/14	25/03/14	25/03/14
Closing Date for the Offer	Issue Date	
5.00pm (Auckland time) 15/04/14	17/04/14	
Expected date of quotation and commencement of trading on the NZX Debt Market	Despatch of Holding Statements	
22/04/14	22/04/14	

## Key dates for ASB Notes

Interest Payment Dates	First Interest Payment Date	
15 March, 15 June, 15 September and 15 December in each year until the Maturity Date	15/06/14	
Call Option Date	Reset of Interest Rate (if not Repaid)	Maturity Date
15/06/19	15/06/19	15/06/24

### Dates may change

The key dates for the Offer are indicative only and subject to change without notice. ASB may, in consultation with the Arrangers, vary the timetable, including to close the Offer early; extend the Closing Date; accept late Applications, either generally or in specific cases; or withdraw the Offer at any time before the Closing Date. If any of the dates are changed, subsequent dates may also change. You are encouraged to lodge your Application as soon as possible after the Opening Date.

If any change to the key dates for the Offer result in any of the key dates for ASB Notes changing, the relevant changes will be announced by ASB via NZX as soon as reasonably practicable.



# Section 1

## Offer at a glance

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## 1.1 Offer at a glance

This section provides an overview of the securities that are being offered in this Investment Statement along with some more general terms of the Offer. You should read this Investment Statement in full before deciding whether to invest.

<b>Issuer</b>	ASB Bank Limited (“ <b>ASB</b> ”).
<b>Type of instrument</b>	ASB Notes are subordinated, unsecured debt securities of ASB that are due to be repaid in full on the Maturity Date. ASB Notes may, depending on the circumstances, be Repaid earlier, Exchanged into CBA Ordinary Shares, or if Exchange cannot occur, your rights under the relevant ASB Notes will be terminated (including rights to payments of interest and principal and to receive CBA Ordinary Shares).
<b>Issue amount</b>	Up to \$300,000,000, with the ability to accept oversubscriptions of up to \$100,000,000.
<b>Issue price</b>	\$1 per ASB Note.
<b>Minimum application</b>	\$5,000 and in multiples of \$1,000 thereafter.
<b>Use of proceeds</b>	The Offer raises Tier 2 Capital to satisfy ASB’s and CBA’s regulatory capital requirements and maintain the diversity of ASB’s and CBA’s sources and types of capital funding. On issue, ASB Notes will be classified as debt in the financial statements of ASB.
<b>Maturity Date</b>	ASB Notes mature on 15 June 2024.
<b>ASB may Repay ASB Notes early</b>	ASB may Repay ASB Notes on the Call Option Date or on any Scheduled Interest Payment Date after the Call Option Date, and may Repay ASB Notes in certain other circumstances. ASB’s rights to Repay ASB Notes before the Maturity Date are subject to conditions which may not be able to be satisfied at the required time meaning the Repayment would not occur.
<b>Call Option Date</b>	15 June 2019.
<b>Interest payments</b>	<p>Interest is scheduled to be paid quarterly in arrear on each Interest Payment Date until ASB Notes have been Repaid or Exchanged or if your rights in relation to ASB Notes have been terminated (in the event that Exchange cannot occur).</p> <p>Payment of Interest is subject to ASB remaining Solvent (meaning that ASB is able to pay its debts as they are due, and the value of ASB’s assets is greater than its liabilities including contingent liabilities) and ASB Group being Solvent immediately after that payment is made.</p> <p>Any Interest that is not paid when due will also earn Interest, and that additional interest is payable on the date the original unpaid Interest is paid or (if earlier) the date ASB Notes are Repaid.</p> <p>You will not be paid any accrued and unpaid Interest if a Non-Viability Trigger Event occurs.</p>
<b>First Interest payment to original subscriber</b>	Interest payable on the first Interest Payment Date will be paid by ASB to the original subscriber of an ASB Note regardless of any transfer of ASB Notes before the first Interest Payment Date.
<b>First Interest Period</b>	The first Interest payment will be based on the actual number of days from (and including) the Issue Date to (but excluding) the first Interest Payment Date.
<b>Interest Rate</b>	<p>The Interest Rate will be:</p> <ul style="list-style-type: none"> <li>• until the Call Option Date, the sum of the Margin and the 5 Year Swap Rate (a reference interest rate for an instrument with a term equal to five years) on the Bookbuild Date; and</li> <li>• on and from the Call Option Date, the sum of the Margin and the 5 Year Swap Rate on the Call Option Date.</li> </ul> <p>The Interest Rate for the period from the Issue Date to the Call Option Date will be set on the Bookbuild Date and announced by ASB via NZX on or before the Opening Date.</p>
<b>Margin</b>	The Margin will be announced by ASB on or before the Opening Date. The Margin will not change over the term of ASB Notes.

<p><b>Exchange or termination of your rights following a Non-Viability Trigger Event</b></p>	<p>If a Non-Viability Trigger Event occurs, all or some ASB Notes will automatically and immediately be Exchanged for CBA Ordinary Shares. A Non-Viability Trigger Event can occur if ASB or CBA encounter severe financial difficulty, among other circumstances. The meaning of Non-Viability Trigger Event and a summary of how Exchange works is detailed in Section 2.5 "What returns will I get?" under the heading "How does Exchange work?". The meaning of Non-Viability Trigger Event is also set out in Section 6 "Glossary".</p> <p>If a Non-Viability Trigger Event occurs, you may receive a number of CBA Ordinary Shares with a value which is less than the Face Value of your ASB Notes due to the application of the Maximum Exchange Number (see Section 5 "Information about CBA Ordinary Shares if Exchange occurs").</p> <p><b>If following a Non-Viability Trigger Event, the Exchange is not effective and CBA is not otherwise able to issue CBA Ordinary Shares within five Business Days, and/or ASB Notes are not validly transferred to ASB Holdings within five Business Days, then your rights under the relevant ASB Notes will be terminated</b> (including rights to payments of interest and principal and to receive CBA Ordinary Shares).</p> <p>CBA may, subject to certain conditions, substitute a "non-operating holding company" ("NOHC") as the issuer of ordinary shares on Exchange. Further information on a NOHC substitution is set out in Section 2.6 "What are my risks?".</p>
<p><b>You cannot request Repayment or Exchange</b></p>	<p><b>You do not have a right to request that your ASB Notes be Repaid early for any reason, or Exchanged.</b></p>
<p><b>You have limited rights</b></p>	<p><b>Your rights to take action against ASB are limited if ASB fails to make a payment on ASB Notes.</b> A failure by ASB to pay amounts due under ASB Notes only results in an Event of Default in limited circumstances. You have limited rights to institute legal proceedings against ASB following an Event of Default. <b>You have no right to take action against CBA in respect of obligations of ASB.</b> Further information is set out in Section 2.6 "What are my risks?".</p>
<p><b>No guarantee</b></p>	<p>ASB Notes are not guaranteed or insured by any person, government, government agency or compensation scheme. CBA does not guarantee ASB.</p>
<p><b>Ranking in a liquidation</b></p>	<p><i>Ranking if no Exchange or termination</i></p> <p>If ASB is put into liquidation (and ASB Notes are not Exchanged and your rights under the relevant ASB Notes have not been terminated), your claim in relation to ASB Notes ranks after claims of ASB's secured creditors, depositors and holders of other unsecured unsubordinated liabilities. An illustration of the ranking of ASB Notes in a liquidation of ASB is set out at page 2.</p> <p><i>Ranking on Exchange or termination</i></p> <p>You will have no claim in the liquidation of ASB if ASB Notes are Exchanged or if your rights under the relevant ASB Notes have been terminated (in the event that Exchange cannot occur).</p> <p><i>Ranking of CBA Ordinary Shares</i></p> <p>If ASB Notes are Exchanged, you will become a holder of CBA Ordinary Shares and rank equally with other holders of CBA Ordinary Shares in a liquidation of CBA. You will have no claim in a liquidation of ASB.</p>
<p><b>Credit rating</b></p>	<p>ASB Notes have been assigned a credit rating of BBB+ by Standard &amp; Poor's. Further information on what this rating means is set out in Section 2.1.2 "Credit ratings of ASB Notes".</p>
<p><b>How to apply</b></p>	<p>Instructions on how to make an application for ASB Notes are contained in Section 2.3 "How much do I pay?".</p>
<p><b>Brokerage</b></p>	<p>You do not have to pay brokerage to ASB (as issuer of ASB Notes) or CBA (as issuer of CBA Ordinary Shares), or stamp duty on your Application for ASB Notes. However, you may have to pay brokerage on any purchases or sales of ASB Notes or CBA Ordinary Shares through a broker or financial intermediary.</p>

<b>Early bird interest</b>	ASB will pay interest on allocated Application Monies at the Interest Rate that will apply to ASB Notes when they are issued. Such interest will be paid on the first Interest Payment Date, and will be paid for the period from the date on which those Application Monies are banked until (but excluding) the Issue Date. Consequently, on the first Interest Payment Date, each original subscriber will be paid an amount that is the same as it would have been paid if ASB Notes had been issued on the date their Application Monies were banked.  No interest is paid on unallocated Application Monies.
<b>Allocations</b>	All ASB Notes, including oversubscriptions, will be reserved for subscription by clients of the Joint Lead Managers, NZX Primary Market Participants and other invitees to the Bookbuild. The aggregate value of ASB Notes so reserved will be up to \$300,000,000 plus oversubscriptions of up to \$100,000,000 (constituting 100% of ASB Notes).
<b>Scaling</b>	ASB in consultation with the Arrangers reserves the right to scale oversubscriptions at its discretion.
<b>NZX Debt Market quotation</b>	Application has been made to NZX for permission to quote ASB Notes on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the date of this Investment Statement have been duly complied with. However, ASB Notes have not yet been approved for trading and NZX accepts no responsibility for any statement in this Investment Statement. NZX is a registered exchange and the NZX Debt Market is a registered market under the Securities Markets Act 1988.
<b>NZX Debt Market ticker code</b>	NZX Debt Market ticker code ABBFA has been reserved for ASB Notes.

## 1.2 Overview of principal risks

There are a number of risks associated with ASB Notes, ASB and CBA. These risks are set out in Section 2.6 "What are my risks?". You should read this section in full before deciding to invest in ASB Notes.

<b>Risks associated with ASB Notes</b>	<ul style="list-style-type: none"> <li>investments in ASB Notes are an investment in ASB and may be affected by the ongoing performance, financial position and solvency of ASB. ASB Notes may also be affected by the ongoing performance, financial position and solvency of CBA. They are not deposit liabilities or protected accounts of CBA for the purposes of the Australian Banking Act;</li> <li>the market price of ASB Notes will fluctuate and you may not recover the full Face Value if you sell your ASB Notes;</li> <li>the Interest Rate is fixed to the Call Option Date (approximately five years) and reset on the Call Option Date if ASB Notes are not Repaid. If interest rates rise during this period, the return on your ASB Notes may be less attractive compared to returns on other investments;</li> <li>you do not have a right to request that your ASB Notes be Repaid early or Exchanged. If you choose to sell your ASB Notes to realise your investment, ASB Notes may be trading at a market price below the Face Value and/or the market for ASB Notes may not be liquid;</li> <li>ASB Notes may be Exchanged for CBA Ordinary Shares upon the occurrence of a Non-Viability Trigger Event. There is a risk you may receive a number of CBA Ordinary Shares with a value which is less than the aggregate Face Value of your ASB Notes;</li> <li>rights of Holders will be terminated if Exchange cannot occur when required, in which case you will lose all of your investment and you will not receive any compensation;</li> <li>CBA Ordinary Shares are a different type of investment to ASB Notes. Unlike Interest on ASB Notes, dividends are payable at the discretion of CBA. In addition, the market price of CBA Ordinary Shares may be more sensitive than that of ASB Notes to changes in CBA's performance, operational issues and other business issues;</li> <li>liquidity of ASB Notes may be low and you may not be able to sell your ASB Notes at an acceptable price or at all;</li> <li>ASB may Repay ASB Notes if certain events occur (subject to approval from the Reserve Bank of New Zealand ("RBNZ") and Australian Prudential Regulation Authority ("APRA")). The timing or occurrence of Repayment may not coincide with your individual preferences;</li> <li>ASB may fail to pay Interest or the Face Value on ASB Notes, in which case you may lose some or all of your investment;</li> <li>you have limited rights against ASB if amounts are not paid on ASB Notes when due;</li> <li>investments in ASB Notes will not receive the benefit of any guarantee. Your right to seek recovery is limited to ASB;</li> </ul>
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<b>Risks associated with ASB Notes - continued</b>	<ul style="list-style-type: none"> <li>• ASB may raise more debt and issue other securities, which may affect the price of ASB Notes;</li> <li>• ASB may amend the Terms of ASB Notes and Holders will be subject to amended terms. The amended terms may not coincide with your individual preferences;</li> <li>• Holders of ASB Notes are subordinated and unsecured creditors and will rank after secured and higher ranking obligations on a winding up of ASB. If, after paying the higher ranking obligations, there are insufficient assets to pay amounts owing on ASB Notes, you may lose some or all of the money you invested;</li> <li>• CBA may substitute a NOHC as the issuer of ordinary shares on Exchange without your consent; and</li> <li>• you have no rights if control of ASB or CBA changes. A change of control of CBA may mean that CBA Ordinary Shares are no longer quoted on ASX.</li> </ul>
<b>Risks associated with ASB's and CBA's businesses which may affect ASB Notes</b>	<ul style="list-style-type: none"> <li>• ASB and CBA may be adversely affected by disruptions to global markets;</li> <li>• ASB and CBA may be adversely affected by a downturn in the New Zealand and Australian economies;</li> <li>• ASB and CBA may incur losses associated with customer and counterparty exposures;</li> <li>• ASB and CBA may be adversely affected by changes in their credit ratings;</li> <li>• failure to hedge effectively against fluctuations in exchange rates could adversely impact ASB's or CBA's performance or financial position;</li> <li>• ASB and CBA are subject to extensive regulation which may adversely affect their performance or financial position;</li> <li>• ASB and CBA are subject to operational risks and may incur losses;</li> <li>• ASB and CBA are subject to intense competition which may adversely affect their performance;</li> <li>• ASB and CBA may be adversely affected by harm to their reputation; and</li> <li>• acquisitions of other businesses by ASB or CBA may adversely affect their performance and financial position.</li> </ul>

# Section 2

## Answers to important questions

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## 2.1 What sort of investment is this?

ASB Notes are subordinated, unsecured debt securities issued by ASB. They are repayable on the Maturity Date (15 June 2024) and may be Repaid earlier in certain circumstances.

ASB Notes are scheduled to pay Interest quarterly in arrear on each Interest Payment Date.

ASB Notes will be treated as Tier 2 Capital for ASB and for the CBA Group. To qualify as Tier 2 Capital, the instrument must provide an unrestricted commitment of funds and be available to absorb losses in a winding up. The terms of ASB Notes reflect these requirements, including the requirement for ASB Notes to absorb losses at the point of non-viability. If a Non-Viability

Trigger Event occurs, all or some ASB Notes will automatically and immediately be Exchanged for CBA Ordinary Shares. If ASB Notes are not able to be Exchanged when they are required to be, the rights of Holders will be terminated (including rights to payments of interest and principal and to receive CBA Ordinary Shares).

### 2.1.1 Comparison of ASB Notes to other securities of ASB

ASB Notes are different from ASB senior bonds (“**ASB Senior Bonds**”), ASB term deposits (“**Term Deposits**”) and subordinated notes that ASB has previously issued (“**Previous Subordinated Notes**”). **A summary of these differences are set out in the table below. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding to apply for ASB Notes.**

	ASB Senior Bonds	Term Deposits	Previous Subordinated Notes issued 1 November 2007 now repaid	ASB Notes
Term	Often between 3 and 7 years	Usually between 1 month and 5 years	10 years	10 years, subject to early Repayment, Exchange or if Exchange cannot occur, termination of Holders' rights
Interest rate	Fixed or floating	Fixed	Fixed, based on the 5 year swap rate on the interest rate set date plus a margin of 0.7%. Reset on call option date	Fixed, based on the 5 Year Swap Rate on the Bookbuild Date plus the Margin determined through the Bookbuild. Reset on Call Option Date
Interest payment dates	Usually semi-annually	Usually end of term or annually	Semi-annually	Quarterly
Conditions to payment of interest	None, subject to applicable laws	None, subject to applicable laws	Interest may be withheld if ASB is not solvent or would not be solvent after paying interest. Non-payment is an event of default after 30 days subject to conditions	Interest can only be paid if ASB remains Solvent and ASB Group is Solvent immediately after paying interest. Non-payment would only be an Event of Default in certain circumstances, with <b>limited rights to institute proceedings</b>
Transferable	Yes	No	Yes	Yes - expected to be quoted on the NZX Debt Market as “ABBFA”
ASB's early repayment option	No	No	Yes, exercised on 15 November 2012	Yes, on 15 June 2019 or any Scheduled Interest Payment Date after that date with the prior written approval of the RBNZ and APRA
Other ASB early repayment options	No	No	Yes, regulatory events	Yes, tax and regulatory events provided certain conditions are met
Non-Viability Trigger Event	No	No	No	<b>Yes, in respect of ASB or CBA.</b> A Non-Viability Trigger Event may result in all or some ASB Notes being Exchanged for CBA Ordinary Shares or, if ASB Notes are not able to be Exchanged, the rights of Holders will be terminated.
Capital classification	None	None	Tier 2 under Basel II	Tier 2 Capital under Basel III
Voting rights	No right to vote at or attend an ASB shareholders' meeting	No right to vote at or attend an ASB shareholders' meeting	No right to vote at or attend an ASB shareholders' meeting	No right to vote at or attend an ASB shareholders' meeting
Ranking	Senior to ASB Notes	Senior to ASB Notes	Subordinated to ASB Senior Bonds and Term Deposits	Subordinated to ASB Senior Bonds and Term Deposits
Credit rating (Standard & Poor's)	AA-	No	AA-	<b>BBB+</b>

## 2.1.2 Credit ratings of ASB Notes

As at the date of this Investment Statement, ASB Notes have a credit rating of BBB+ from Standard & Poor's and ASB's senior unsecured long term debt has credit ratings of AA- from Standard & Poor's, Aa3 from Moody's and AA- from Fitch. ASB Notes have a lower credit rating than ASB's senior debt because ASB Notes are subordinated securities. In addition, their rating reflects the fact that if a Non-Viability Trigger Event occurs, all or some ASB Notes will automatically and immediately be Exchanged for CBA Ordinary Shares, or if Exchange cannot occur, the rights of Holders will be terminated (including rights to payments of interest and principal and to receive CBA Ordinary Shares).

A credit rating in respect of an entity is an independent opinion of the capability and willingness of an entity to repay its debts – in other words, its financial strength or creditworthiness. A credit rating in respect of a note is an independent opinion of the capability and willingness of an entity to repay the debt under that note (such as ASB Notes). Neither rating is a guarantee that the notes being offered are a safe investment or that any or all amounts payable under that note will be repaid. Credit ratings should be considered alongside all other relevant information when making an investment decision.

Standard & Poor's gives ratings from "AAA" through to "CC", as set out in the table below. Credit ratings of "AAA" to "BBB" are considered to be "investment grade". Credit ratings below "BBB" are generally called "speculative grade" or "non-investment grade".

Rating	AAA	AA	A	BBB	BB	B	CCC	CC
Capacity to meet financial commitments	Extremely strong	Very strong	Strong	Adequate ASB Notes BBB+	Less vulnerable	More vulnerable	Currently vulnerable	Currently highly vulnerable
← Investment grade →				← Speculative grade →				

The ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus sign (-) to show relative standing within the major rating categories. Ratings may also be subject to positive, negative or stable outlooks.

These ratings are not a recommendation to buy, hold or sell ASB Notes or any securities issued by ASB. Ratings are subject to suspension, withdrawal or revision at any time.

## 2.2 Who is involved in providing it for me?

### ASB – Issuer of ASB Notes

ASB Bank Limited is the issuer of ASB Notes. ASB's registered office is:

Level 2, ASB North Wharf  
12 Jellicoe Street  
Auckland 1010  
New Zealand

ASB's directors are:

- Gavin Ronald Walker, Chairman
- Barbara Joan Chapman, Managing Director and Chief Executive Officer
- Simon Robert Saunders Blair
- Michael Brian Coomer
- Jane Lesley Freeman
- Jonathan Peter Hartley
- Robert Dharshan Jesudason

ASB's address and names of ASB's directors are current as at the date of this Investment Statement, but are subject to change. The current address of ASB and current list of ASB's directors may be obtained from ASB's website at [www.asb.co.nz/about-asb/asb-group-of-companies](http://www.asb.co.nz/about-asb/asb-group-of-companies).

### ASB's Activities

The Auckland Savings Bank was founded in June 1847. Following deregulation of the banking industry in late 1986, it became a full-service bank offering personal, corporate and business banking services and treasury operations, and changed its name to ASB Bank in August 1987.

ASB is a registered bank under the Reserve Bank of New Zealand Act 1989. ASB is one of New Zealand's leading providers of integrated financial services including retail banking, premium banking, business banking and investment and share broking products and services.

For further information about ASB, please see Section 3.

### CBA – Promoter of ASB Notes and issuer of CBA Ordinary Shares

Commonwealth Bank of Australia and each of its directors are promoters of ASB Notes. In addition, CBA will be the issuer of CBA Ordinary Shares on Exchange if a Non-Viability Trigger Event occurs. ASB is an indirect wholly owned subsidiary of CBA. CBA does not guarantee ASB or ASB Notes. CBA's address in New Zealand is:

Level 2, ASB North Wharf  
12 Jellicoe Street  
Auckland 1010  
New Zealand

CBA's directors are:

- David John Turner, Chairman
- Ian Mark Narev, Managing Director and Chief Executive Officer
- Sir John Anthony Anderson
- Jane Sharman Hemstritch
- Launa Karen Inman



- Sarah Carolyn Hailes Kay
- Brian James Long
- Andrew Max Mohl
- Harrison Hurst Young

CBA's New Zealand address and the names of CBA's directors are current as at the date of this Investment Statement, but are subject to change. The current New Zealand address of CBA and current list of CBA's directors may be obtained from the Companies Office website at [www.business.govt.nz/companies](http://www.business.govt.nz/companies) by searching against "Commonwealth Bank of Australia".

For further information about CBA, please see Section 4.

## No trustee

ASB has not appointed a trustee because it is exempt under the New Zealand Securities Act from this requirement in respect of ASB Notes.

## Registry

Computershare Investor Services Limited is the Registry for ASB Notes, and its address is set out in the Corporate Directory on the inside back cover.

## 2.3 How much do I pay?

The Face Value for each ASB Note is NZ\$1. This is the amount you will pay for each ASB Note.

Applications to subscribe for ASB Notes must be for a minimum Face Value of NZ\$5,000 (and in multiples of NZ\$1,000 thereafter) and payment of the total application amount in full must accompany the Application Form. There is no maximum amount of ASB Notes you may apply for.

In addition, you may need to pay a fee or commission to the person who recommends the investment to you or the NZX Primary Market Participant or financial intermediary through whom you receive an allocation of ASB Notes.

## Applying for ASB Notes

To apply for ASB Notes, you must complete the Application Form attached to this Investment Statement. Your Application Form and Application Monies must be received by your broker in time to allow him or her to submit your Application to the Registry at the address set out in the Corporate Directory on the inside back cover on or before 5.00pm on the Closing Date.

## No public pool

All ASB Notes, including oversubscriptions, will be reserved for subscription by clients of the Joint Lead Managers, NZX Primary Market Participants and other invitees to the Bookbuild.

Retail investors should contact their broker for details of the application process for ASB Notes as there is no public pool for ASB Notes.

## Payments

You must pay your Application Monies by cheque, direct debit or through the NZClear System.

Cheques should be in NZ Dollars drawn on a New Zealand branch of a registered bank (or, if the Application is for ASB Notes of an aggregate subscription amount of NZ\$500,000 or more, by bank cheque). Cheques should be made payable to "ASB Subordinated Notes Offer" and crossed "Not Transferable" and must not be post dated.

If you wish to pay for ASB Notes by direct debit, funds must be available in your account for value the day that the Registry activates the direct debit. You should also check that your account is able to be direct debited and you must be authorised on that account as a signatory for a direct debit transaction.

Dishonoured cheques or failed direct debits may result in your Application being rejected.

Institutions that normally settle via the NZClear System can do so by making arrangements before the Closing Date and settlement with the Registry. Such application can be settled up to and including the Issue Date.

Application Monies will be held by the Registry in trust for Applicants until the Issue Date.

Further information on how to make your Application is set out in the application instructions at the back of this Investment Statement.

Applications and Application Monies will not be accepted at ASB's registered office or at any branch of ASB.

## ASB's discretion

ASB may refuse all or any part of your Application without giving a reason. ASB may also decide not to accept any Applications whatsoever. ASB may change the Opening Date, the Closing Date and/or the Issue Date.

Where you have been issued ASB Notes, you will receive a Holding Statement from the Registry setting out certain information in relation to your holding of ASB Notes within five Business Days after the date of allotment of ASB Notes.

If ASB refuses your Application (whether because of late receipt or otherwise) or accepts your Application in part, ASB will refund (without interest) the Application Monies relating to your unsuccessful Application or the unsuccessful part of your Application as soon as practicable and, in any event, within five Business Days of the Issue Date.

Where your payment for ASB Notes is dishonoured, ASB may not issue you ASB Notes or cancel your ASB Notes, and may pursue you for any loss ASB may suffer.

## No cooling-off

There is no cooling-off period during which an investor can cancel his or her investment in ASB Notes. Therefore, once an Application has been lodged, it cannot be withdrawn or revoked unless ASB permits this in its sole discretion.

## 2.4 What are the charges?

You will pay no charges to ASB or CBA when investing in ASB Notes.

However, a fee or commission may be charged by the person who recommends the investment to you or the NZX Primary Market Participant or financial intermediary through whom you receive an allocation of ASB Notes. In addition, if you sell your ASB Notes before the Maturity Date, you may incur selling costs such as brokerage.

For example, if you sell your ASB Notes before the Maturity Date through ASB Securities Limited, as at the date of this Investment Statement you will pay charges of 0.70% of the settlement value of ASB Notes you wish to sell with a minimum charge of NZ\$35. However, those charges are subject to change and you may obtain the current charges by contacting ASB Securities Limited. There is no obligation to sell your ASB Notes through ASB Securities Limited.

There may be charges payable if you have notified the Registry that you do not wish to receive CBA Ordinary Shares on Exchange or if you are prohibited or restricted from receiving CBA Ordinary Shares on Exchange. If Exchange occurs and CBA has issued the relevant number of CBA Ordinary Shares to the Nominee (an entity appointed for this purpose after the Issue Date) to hold on trust for sale for your benefit (as discussed in Section 2.5 "What returns will I get?" below), the Nominee will arrange for the sale of CBA Ordinary Shares on your behalf and pay the proceeds less selling costs to you. No guarantee is given in relation to the selling costs applicable for any such sale.

All other fees and expenses payable to the Nominee and the Registry in connection with the Offer are payable by ASB.

### Brokerage

ASB will pay brokerage on total applications of 0.75% to the Joint Lead Managers. Such brokerage will be distributed as appropriate to NZX Primary Market Participants and approved financial intermediaries for applications carrying that firm's stamp. A firm allocation fee of 0.50% in respect of ASB Notes allocated pursuant to a firm allocation will also be paid to the Joint Lead Managers and distributed as appropriate to NZX Primary Market Participants or approved financial intermediaries that have provided valid applications pursuant to a firm allocation.

ASB will pay a fee of 0.25% of Application Monies accepted that originate from the Joint Lead Managers. In addition, ASB may pay an additional fee at its sole discretion of 0.10% to the Joint Lead Managers.

## 2.5 What returns will I get?

The information set out in this section should be read in conjunction with the information in relation to risks set out in Section 2.6 "What are my risks?". Investments in ASB Notes are an investment in ASB and may be affected by the ongoing performance, financial position and solvency of ASB. ASB Notes may also be affected by the ongoing performance, financial position and solvency of CBA. Certain events could reduce or eliminate the returns intended to be derived from holding ASB Notes.

It is not possible to quantify, as at the date of this Investment Statement, the exact amount of the returns you will receive and, therefore, no such amount can be promised by ASB.

### Type of returns

Your returns will comprise the Interest you receive on your ASB Notes and, if your ASB Notes are Repaid (including on the Maturity Date), the Face Value of your ASB Notes. See "When and how will Interest be paid?" and "When will the Face Value be repaid?" in the following table. In addition:

- if you sell any of your ASB Notes before ASB Notes are Repaid you will receive the market price for those ASB Notes at that time; or
- if any of your ASB Notes are Exchanged you will receive a number of CBA Ordinary Shares in Exchange for those ASB Notes.

**However, if your ASB Notes are required to be Exchanged but the Exchange is not effective and CBA is not otherwise able to issue CBA Ordinary Shares within five Business Days, and/or ASB Notes are not validly transferred to ASB Holdings within five Business Days, then your rights under the relevant ASB Notes will be terminated (including rights**

**to payments of interest and principal and to receive CBA Ordinary Shares).** See "How does Exchange work?" in the following table. Further information in relation to Exchange and the rights attaching to CBA Ordinary Shares is set out in Section 5 "Information about CBA Ordinary Shares if Exchange occurs".

### Key factors that determine returns

The key factors that determine the returns from your investment are:

- the Interest Rate applicable to your ASB Notes over the term of your investment;
- whether Interest is paid;
- whether and when your ASB Notes are Repaid;
- fluctuations in the price of ASB Notes if sold on the secondary market, as described under the heading "Secondary Market Transfer" below;
- if your ASB Notes are Exchanged following a Non-Viability Trigger Event;
- if your rights as a Holder of ASB Notes are terminated if Exchange cannot occur following a Non-Viability Trigger Event;
- the financial condition of each of ASB, CBA and the CBA Group as a whole;
- any applicable taxes; and
- the other risk factors described under Section 2.6 "What are my risks?" on page 22.

What returns will I get?		
When and how will Interest be paid?		Further information
<b>Interest Payment Dates</b>	<p>Interest is scheduled to be paid quarterly in arrear on each Interest Payment Date until ASB Notes have been Repaid or Exchanged or your rights under the relevant ASB Notes have been terminated (in the event that Exchange cannot occur). The Scheduled Interest Payment Dates are 15 March, 15 June, 15 September and 15 December in each year for so long as ASB Notes are outstanding.</p> <p>The first Scheduled Interest Payment Date is 15 June 2014.</p>	2.1 Terms and definition of "Interest Payment Date"
<b>Interest Rate</b>	<p>The Interest Rate is the sum of the Margin and the applicable 5 Year Swap Rate.</p> <p>The Margin and the 5 Year Swap Rate for the period from the Issue Date to the Call Option Date will be set on the Bookbuild Date by ASB in consultation with the Arrangers and announced via NZX on or before the Opening Date.</p> <p>The Interest Rate for the period from the Call Option Date to the Maturity Date will be set on the Call Option Date by ASB and announced via NZX on that date.</p> <p>The Margin will not change over the term of ASB Notes.</p>	2.2 Terms
<b>Calculation of Interest</b>	<p>The Interest payable on each ASB Note is calculated on an annual basis and paid quarterly in arrear in equal amounts on each Interest Payment Date.</p> <p>If the period for which the Interest is due is less than an annual quarter, the amount of Interest payable will be adjusted to reflect the actual number of days in the Interest Period in which the Interest accrued.</p>	2.1 - 2.3 Terms
<b>Payment of Interest</b>	<p>Other than the first Interest Payment Date, Interest will be paid to Holders whose details are recorded with the Registry on the Record Date (generally ten calendar days before the Interest Payment Date).</p> <p>Interest payable on the first Interest Payment Date (15 June 2014) will be paid to the original subscriber of the relevant ASB Note regardless of any transfer of that ASB Note before the first Interest Payment Date.</p>	7.1 Terms
<b>Interest may not be paid</b>	<p>Payment of Interest is subject to ASB remaining Solvent and ASB Group being Solvent immediately after the payment is made.</p> <p>Any Interest that is not paid when due will also earn interest at the Interest Rate until paid. The additional interest is payable on the date the original unpaid Interest is paid or (if earlier) the date on which ASB Notes are Repaid.</p> <p>Non-payment of Interest (if ASB would have remained Solvent and ASB Group would have been Solvent had such payment been made) will only be an Event of Default if:</p> <ul style="list-style-type: none"> <li>the non-payment continues for fifteen Business Days; and</li> <li>non-payment is not as a result of ASB complying with a law, regulation or court order.</li> </ul> <p>If the non-payment is an Event of Default, you may institute proceedings:</p> <ul style="list-style-type: none"> <li>to recover the amount ASB has failed to pay, subject to ASB remaining Solvent immediately after the payment;</li> <li>for specific performance of any other obligation in respect of ASB Notes; or</li> <li>for the liquidation of ASB.</li> </ul> <p>You will not be paid any accrued and unpaid Interest if a Non-Viability Trigger Event occurs.</p>	1.6, 2.4, 10.1 and 10.3 Terms
<b>Early bird interest</b>	<p>ASB will pay interest on allocated Application Monies at the Interest Rate that will apply to ASB Notes when they are issued. Such interest will be paid on the first Interest Payment Date, and will be paid for the period from the date on which those Application Monies are banked until (but excluding) the Issue Date. Consequently, on the first Interest Payment Date, each original subscriber will be paid an amount that is the same as it would have been paid if ASB Notes had been issued on the date their Application Monies were banked.</p> <p>No interest is paid on unallocated Application Monies.</p>	N/A

What returns will I get?		
When will the Face Value be repaid?		Further information
<b>Repayment on Maturity Date</b>	Each ASB Note is repayable for its Face Value on the Maturity Date (15 June 2024).	3.1 Terms
<b>Early Repayment by ASB</b>	<p>ASB has the right to Repay the following amount of ASB Notes in the following circumstances (subject to certain conditions, including prior written approval from the RBNZ and APRA, which is discretionary and may or may not be given and that ASB remains Solvent):</p> <ul style="list-style-type: none"> <li>on the Call Option Date (15 June 2019) or any Scheduled Interest Payment Date after the Call Option Date at the option of ASB - all or some ASB Notes; or</li> <li>at any time - all ASB Notes: <ul style="list-style-type: none"> <li>for tax reasons; or</li> <li>for regulatory reasons.</li> </ul> </li> </ul> <p>As outlined above, ASB may Repay all ASB Notes at any time after the Issue Date if the following occur:</p> <ul style="list-style-type: none"> <li><b>Repayment for tax reasons:</b> when ASB receives an opinion from reputable legal counsel or other tax adviser that as a result of a change in law or interpretation of law that in either case has occurred or will occur (that was not expected as at the Issue Date) there is a material risk that: <ul style="list-style-type: none"> <li>any Interest payable on ASB Notes is not, or will not be, allowed as a deduction for the purposes of New Zealand income tax; or</li> <li>ASB or the consolidated tax group of which it is a member would be exposed to any other more than de minimis adverse tax consequence in relation to ASB Notes; or</li> </ul> </li> <li><b>Repayment for regulatory reasons:</b> when all or some ASB Notes are not or will not be treated as Tier 2 Capital of the ASB Group under the RBNZ's banking standards or as Tier 2 Capital of the CBA Group under APRA's prudential standards (as a result of a change in the banking or prudential standards or a change in the treatment under the banking or prudential standards) other than a change which is expected as at the Issue Date.</li> </ul> <p>On the Redemption Date, you will receive an amount equal to the Face Value for each of your ASB Notes together with any accrued but unpaid Interest as at the Redemption Date.</p>	3.2 - 3.5 Terms
<b>Exchange</b>	ASB may be required to Exchange all or some ASB Notes upon the occurrence of a Non-Viability Trigger Event, as discussed below under the heading "How does Exchange work?" and in Section 5 "Information about CBA Ordinary Shares if Exchange occurs".	4.1 Terms
<b>No ability to request early Repayment or Exchange</b>	<p><b>You do not have a right to request that your ASB Notes be Repaid early for any reason, or Exchanged.</b></p> <p>To realise your investment, you can sell your ASB Notes at the prevailing market price. This is discussed in the section entitled "Secondary Market Transfer" under Section 2.8 "How do I cash in my investment?".</p>	5.12(d) Terms

How does Exchange work?	Further information
<p>The following section provides a summary of how Exchange works. Further information in relation to the number of CBA Ordinary Shares you may receive if Exchange is required and the rights attaching to CBA Ordinary Shares is set out in Section 5 "Information about CBA Ordinary Shares if Exchange occurs". You should read both this section and Section 5 to understand what happens if a Non-Viability Trigger Event occurs.</p>	
<p><b>How does Exchange work?</b></p>	<p>If all or some ASB Notes are required to be Exchanged, then:</p> <ul style="list-style-type: none"> <li>with effect from the Exchange Date, each ASB Note (including any rights to unpaid Interest) that is to be Exchanged will immediately and irrevocably be transferred by you free of any encumbrance to ASB Holdings (ASB Holdings is the company that holds 100% of the ordinary shares in ASB); and</li> <li>CBA will issue to you on the Exchange Date a number of CBA Ordinary Shares in respect of each ASB Note that is to be Exchanged equal to the Exchange Number.</li> </ul> <p>As a consequence of Exchange, Holders will cease to hold the relevant ASB Notes and to have any rights whatsoever under or in relation to those ASB Notes, and instead will hold CBA Ordinary Shares. Exchange occurs automatically on the Exchange Date, and no act or consent is required from Holders for Exchange to occur. If an ASB Note is required to be Exchanged, then all your rights in relation to that ASB Note are suspended until Exchange occurs or your rights are terminated (including rights to payments of interest and principal and to receive CBA Ordinary Shares).</p> <p>The number of CBA Ordinary Shares you will receive is calculated in accordance with the formula in the Terms and is subject to the Maximum Exchange Number.</p>
<p><b>Non-Viability Trigger Event</b></p>	<p>A Non-Viability Trigger Event occurs when either an ASB Non-Viability Trigger Event occurs or a CBA Non-Viability Trigger Event occurs.</p> <p>An <b>ASB Non-Viability Trigger Event</b> occurs when:</p> <ul style="list-style-type: none"> <li>A direction is given to ASB by the RBNZ under the Reserve Bank Act requiring ASB to convert or write down a class of capital instruments that includes ASB Notes of a specified aggregate amount; or</li> <li>ASB is made subject to statutory management under the Reserve Bank Act and the statutory manager announces his or her decision to convert or write down a class of capital instruments that includes ASB Notes of a specified aggregate amount.</li> </ul> <p>A direction may be given if the RBNZ has reasonable grounds to believe that:</p> <ol style="list-style-type: none"> <li>ASB is insolvent or is likely to become insolvent;</li> <li>ASB is about to suspend payment or is unable to meet its obligations as and when they fall due;</li> <li>the affairs of ASB are being conducted in a manner prejudicial to the soundness of the financial system;</li> <li>the circumstances of ASB are such as to be prejudicial to the soundness of the financial system; or</li> <li>the business of ASB has not been, or is not being, conducted in a prudent manner.</li> </ol> <p>A <b>CBA Non-Viability Trigger Event</b> occurs when APRA notifies CBA in writing that it believes:</p> <ul style="list-style-type: none"> <li>an Exchange of all or some ASB Notes, or conversion or write down of capital instruments of the CBA Group, is necessary because, without it, CBA would become non-viable; or</li> <li>a public sector injection of capital, or equivalent support, is necessary because, without it, CBA would become non-viable.</li> </ul> <p>Whether a Non-Viability Trigger Event will occur is at the discretion of the RBNZ or APRA (as applicable) and there are currently no precedents for this. A Non-Viability Trigger Event may occur on more than one occasion.</p> <p>A Non-Viability Trigger Event can occur where APRA determines CBA has become non-viable, even if the RBNZ does not have concerns about ASB's viability at that time.</p>

How does Exchange work?	Further information	
<p><b>Number of ASB Notes to be Exchanged</b></p>	<p>If a Non-Viability Trigger Event occurs, ASB will automatically and immediately Exchange such number of ASB Notes as specified by the RBNZ or APRA (as applicable) or as decided by the statutory manager of ASB, or as necessary to satisfy the RBNZ or APRA (as applicable) that ASB or CBA (as applicable) will no longer be non-viable.</p> <p>If ASB is required to Exchange some ASB Notes, ASB must treat Holders on an approximately pro-rata basis among themselves and all holders of another 'Relevant Security' or in a manner that is otherwise, in the opinion of ASB, fair and reasonable. A 'Relevant Security' is, broadly, a security forming part of the Tier 2 Capital of ASB and/or CBA (as applicable) that is capable of being converted or written off to meet the RBNZ's or APRA's requirements if a Non-Viability Trigger Event occurs.</p>	<p>4.1 and 4.2 Terms</p>
<p><b>What if I do not wish to receive CBA Ordinary Shares or if I am prohibited or restricted from receiving CBA Ordinary Shares?</b></p>	<p>If you do not wish to receive CBA Ordinary Shares, you can notify the Registry of this at any time before the Exchange Date.</p> <p>ASB will treat you as not being an Ineligible Holder (which includes a person whose address in the Register is a place outside New Zealand or a person prohibited or restricted under Australian law from being offered, holding or acquiring CBA Ordinary Shares) unless you have notified the Registry otherwise.</p> <p>If Exchange occurs and you have notified the Registry that you do not wish to receive CBA Ordinary Shares in respect of all or part of your Holding, or you are an Ineligible Holder or ASB has not received information required to enable Exchange, then CBA will issue the Exchange Number of CBA Ordinary Shares to the Nominee who will hold CBA Ordinary Shares on trust for sale for your benefit. At the first opportunity, the Nominee will arrange for the sale of CBA Ordinary Shares on your behalf and pay the proceeds less selling costs to you. No guarantee is given in relation to the timing or price at which any sale will occur.</p> <p>If, because the Holder is an Ineligible Holder, the Nominee is deemed to be an Ineligible Holder, then CBA Ordinary Shares will be issued to the Nominee as soon as practicable after the Nominee ceases to be an Ineligible Holder.</p>	<p>5.11 Terms and definition of "Ineligible Holder"</p>
<p><b>Rights of Holders will be terminated if Exchange cannot occur</b></p>	<p>If the Exchange is not effective and CBA is not otherwise able to issue CBA Ordinary Shares within five Business Days, and/or ASB Notes are not validly transferred to ASB Holdings within five Business Days, <b>then your rights under the relevant ASB Notes will be terminated</b> (including rights to payments of interest and principal and to receive CBA Ordinary Shares).</p> <p>Your investment will lose its value and you will not receive any compensation. This could occur if CBA was prevented from issuing CBA Ordinary Shares by circumstances outside of its control, for example, if CBA was prevented by an applicable law or order of any court, or action of any government authority, from issuing CBA Ordinary Shares.</p>	<p>4.3 and 5.11(b) Terms</p>

## Person legally liable to pay returns

ASB is legally liable to pay the Interest and the Face Value of ASB Notes. ASB Notes are not guaranteed by any other party, including CBA, the Arrangers and the other Joint Lead Managers.

## Taxation

Your returns may be affected by taxes. The information set out below relates solely to New Zealand taxation and does not constitute taxation advice to any Holder. The information is believed by ASB and CBA to be correct as at the date of this Investment Statement. Taxation laws are subject to change and such changes may materially affect your tax position with respect to an investment in ASB Notes. **You should seek qualified, independent financial and taxation advice before deciding to invest.** In particular, you should consult your tax adviser in relation to your specific circumstances.

For information on the Australian taxation of CBA Ordinary Shares acquired on Exchange, see Section 5.6 "Australian tax consequences of CBA Ordinary Shares acquired on Exchange".

## Resident withholding tax

If you are either a New Zealand resident for tax purposes or engaged in business through a fixed establishment (as defined in the Income Tax Act 2007 ("**Tax Act**")) in New Zealand ("**Resident Holder**"), ASB will deduct resident withholding tax ("**RWT**") from the gross amount of interest (and other payments deemed to be interest) paid to you in accordance with the provisions of the Tax Act.

If you are an individual or hold ASB Notes as trustee, and have supplied your IRD number to the Registry, you may elect for RWT to be deducted at a rate of 10.5%, 17.5%, 30% or 33%. You may elect a rate of 10.5% only if you are an individual (not acting as a trustee) and you have a reasonable expectation at the time of making the election that your income for the income year applicable to you (e.g. 1 April 2014 to 31 March 2015) will be \$14,000 or less, or if you are holding ASB Notes as trustee of certain testamentary trusts. If you do not supply your IRD number to the Registry, ASB will deduct RWT at 33%. If the Commissioner of Inland Revenue determines that the rate you have notified to ASB is inconsistent with your marginal tax rate, the Commissioner may require ASB to deduct RWT at a different rate to the rate you elected.

ASB will deduct RWT at 28% from interest paid to a Holder that is a company (not acting as a trustee) that has supplied its IRD number to the Registry and that has not elected that RWT be deducted at 33%. ASB will deduct RWT at 33% from interest paid to a company that has not supplied its IRD number to the Registry.

ASB will not deduct RWT if you provide a copy of an appropriate RWT exemption certificate to the Registry at least ten Business Days before the Record Date for the relevant payment.

## Non-resident withholding tax

ASB is only offering ASB Notes in New Zealand. Notwithstanding this, if you are not a New Zealand tax resident and are not engaged in business through a fixed establishment (as defined in the Tax Act) in New Zealand ("**Non-resident Holder**"), ASB will deduct non-resident withholding tax ("**NRWT**"), where appropriate, at the rate required by law from payments made to you. If ASB is lawfully able to pay approved issuer levy (as defined in section 86F of the Stamp and Cheque Duties Act 1971 ("**AIL**")) in respect of any payment of interest (or deemed interest) to you, AIL may apply instead of NRWT. ASB expects that ASB Notes will qualify for the zero percent rate of AIL under section 861B of the Stamp and Cheque Duties Act 1971. ASB intends to take the steps necessary to apply the zero percent rate, in which case ASB will not deduct any amount from the interest (or deemed interest) payable to you on account of AIL or NRWT. If ASB Notes do not qualify for the zero percent rate of AIL or ASB does not take the steps necessary to apply the zero percent rate, ASB will pay the AIL (currently equal to 2 percent of such payments of interest) to the appropriate authority and will deduct the amount paid from the interest (or deemed interest) payable to you in lieu of deducting NRWT.

If you are a Non-resident Holder you may request in writing that NRWT be deducted from interest (or deemed interest) paid to you instead of AIL.

If you are a Non-resident Holder and derive interest under ASB Notes jointly with one or more New Zealand tax residents, withholding tax will be deducted from interest paid or credited at the applicable RWT rate. Non-resident Holders may then claim a refund from the Inland Revenue to the extent that tax was withheld in excess of their applicable NRWT rate.

## Financial arrangements rules

Under the financial arrangements rules, gains you make on the sale or other disposal (including on maturity) of your ASB Notes will generally be taxable to you if you are resident in New Zealand for tax purposes. If you are a non-resident for tax purposes, you may also be subject to New Zealand tax on such gains. You should consult your own taxation advisers about the effect of taxes on your investment in any ASB Notes.

Neither ASB nor the Registry is obliged to gross-up, indemnify or otherwise compensate or pay any additional amounts to you as a consequence of, or otherwise in connection with, any deduction on account of tax.

## 2.6 What are my risks?

There are two types of risks relating to an investment in ASB Notes:

- risks associated with ASB Notes specifically; and
- risks associated with ASB's and CBA's businesses which may affect ASB Notes.

This section summarises the principal risks associated with ASB Notes specifically and associated with ASB's and CBA's businesses. The relative importance of the risks listed below may vary between investors depending on their individual circumstances, and so it is important that you read them all in full.

The risks outlined in this section are not exhaustive and there may be other risks which may affect the performance of ASB Notes.

**If you have any questions about these risks you should seek advice from your financial adviser or other professional adviser before deciding to invest in ASB Notes.**

Risks associated with ASB Notes specifically	
<p><b>The market price of ASB Notes will fluctuate</b></p>	<p>The market price of ASB Notes will fluctuate due to various factors, including:</p> <ul style="list-style-type: none"> <li>• the ongoing performance, financial position and solvency of ASB;</li> <li>• the ongoing performance, financial position and solvency of CBA;</li> <li>• changes in New Zealand and international economic conditions, interest rates, credit margins, inflation rates and foreign exchange rates;</li> <li>• movements in the market price of other debt issued by ASB or by other issuers;</li> <li>• changes in investor perceptions and sentiment in relation to ASB, CBA or the financial services industry; and</li> <li>• other major New Zealand and international events such as biosecurity events, hostilities and tensions, and acts of terrorism.</li> </ul> <p>ASB Notes may trade at a market price below their Face Value during this time and the market price may be more sensitive than that of equity to changes in interest rates, credit margins and other market prices.</p> <p>If ASB Notes trade at a market price below the amount at which you acquired them, there is a risk that, if you sell them, you may lose some of the money you invested.</p>
<p><b>The Interest Rate is fixed to the Call Option Date and reset if ASB Notes are not Repaid on or before the Call Option Date</b></p>	<p>If interest rates increase during the period to the Call Option Date (approximately five years) and/or during the five year period between the Call Option Date and Maturity Date in the event ASB does not Repay ASB Notes on the Call Option Date or before the Maturity Date, there is a risk that the return on ASB Notes may become less attractive compared to returns on other investments.</p> <p>See clause 2.2 of the Terms.</p>
<p><b>You do not have any right to request that your ASB Notes be Repaid early or Exchanged</b></p>	<p>To realise your investment, you can sell your ASB Notes at the prevailing market price. However, depending on market conditions at the time, ASB Notes may be trading at a market price below the Face Value and/or the market for ASB Notes may not be liquid.</p> <p>See clause 5.12(d) of the Terms.</p>



Risks associated with ASB Notes specifically	
<p><b>ASB Notes may be Exchanged for CBA Ordinary Shares upon the occurrence of a Non-Viability Trigger Event</b></p>	<p>If a Non-Viability Trigger Event occurs, all or some ASB Notes will automatically and immediately be Exchanged for CBA Ordinary Shares. In this circumstance, you may receive a number of CBA Ordinary Shares with a value which is less than the aggregate Face Value of your ASB Notes due to the application of the Maximum Exchange Number.</p> <p>Whether a Non-Viability Trigger Event will occur is at the discretion of the RBNZ and APRA and there are currently no precedents for this.</p> <p>If a CBA Non-Viability Trigger Event occurs because APRA has determined that without a public sector injection of capital, or other public sector support, CBA would become non-viable, all ASB Notes will be Exchanged. Under the heading "<i>Risks associated with ASB's and CBA's businesses which may affect ASB Notes</i>" below, a number of general risks associated with CBA's businesses are outlined. If one, or a combination, of these risks leads to a significant capital loss, or prolonged difficulties in raising funding or maintaining sufficient liquidity, ASB and CBA believe this may be the type of situation in which APRA may become concerned and notify CBA that it has become non-viable.</p> <p>See clauses 4 and 5 of the Terms.</p>
<p><b>Rights of Holders will be terminated if Exchange cannot occur when required</b></p>	<p>If Exchange cannot occur when required your rights under your ASB Notes will be terminated. In this situation, you will lose all of your investment and you will not receive any compensation.</p> <p>See clauses 4.3 and 5.11(b) of the Terms.</p>
<p><b>CBA Ordinary Shares are a different type of investment to ASB Notes</b></p>	<p>Unlike Interest payable for ASB Notes, dividends are payable at the absolute discretion of CBA and the amount of each dividend is discretionary (not subject to a formula). In a winding up, claims of holders of CBA Ordinary Shares rank behind claims of holders of all other securities and debts of CBA.</p> <p>CBA Ordinary Shares trade at a market price which reflects the fact that it is an equity investment rather than a fixed income investment. The market price may be more sensitive than that of ASB Notes to changes in CBA's performance, operational issues and other business issues.</p> <p>CBA Ordinary Shares are currently quoted on ASX, not the NZX Debt Market or the NZX Main Board. CBA will use all reasonable endeavours to quote CBA Ordinary Shares issued as a result of Exchange on ASX. You will need to comply with any applicable rules and procedures of ASX if you wish to sell CBA Ordinary Shares issued to you on Exchange, rather than those of NZX in relation to ASB Notes.</p> <p>CBA Ordinary Share dividends are paid in Australian Dollars. The market price of CBA Ordinary Shares is quoted on ASX in Australian Dollars and any proceeds from the sale of your CBA Ordinary Shares is likely to also be in Australian Dollars.</p> <p>The exchange rate between New Zealand and Australian Dollars may go up or down. These changes may be significant and you may incur fees in changing amounts received in Australian Dollars into New Zealand Dollars.</p> <p>No assurance can be given that CBA Ordinary Shares will be quoted on ASX at the time a Non-Viability Trigger Event occurs.</p>
<p><b>The liquidity of ASB Notes may be low</b></p>	<p>The market for ASB Notes may not be liquid. If liquidity is low, there is a risk that, if you wish to sell your ASB Notes, you may not be able to do so at an acceptable price or at all.</p>
<p><b>ASB may Repay ASB Notes if certain events occur (subject to approval from the RBNZ and APRA)</b></p>	<p>Depending on market conditions at the time, you may not be able to reinvest the amount you receive on Repayment at a similar rate of return to the rate of return you expected on your ASB Notes if you had continued to hold them. In addition, the timing or occurrence of the Repayment may not coincide with your individual preferences.</p> <p>See clauses 3.2 - 3.5 of the Terms.</p>

Risks associated with ASB Notes specifically	
<p><b>ASB may fail to pay Interest or the Face Value on ASB Notes</b></p>	<p>There is a risk that ASB may default on payment of some or all of the Interest or Face Value on ASB Notes. If ASB does not pay some or all of the Interest or the Face Value on ASB Notes, you may lose some or all of your investment.</p> <p>Payment of Interest or the Face Value is subject to ASB remaining Solvent and ASB Group being Solvent immediately after the payment.</p> <p>See clause 1.6 of the Terms.</p>
<p><b>You have limited rights against ASB if amounts are not paid on ASB Notes when due</b></p>	<p>An Event of Default will only occur if an amount is not paid for 15 Business Days, and</p> <p>(a) ASB would have remained Solvent and ASB Group would have been Solvent had such payment been made; and</p> <p>(b) the non-payment is not due to compliance with any law, regulation or a court order.</p> <p>If the non-payment is an Event of Default, there is a risk that the entire amount owed may not be recovered even if you institute proceedings against ASB. Further, although the Terms may specify certain remedies (for example, to institute proceedings for the liquidation of ASB), the granting of those remedies may be in the discretion of the court and they may not be granted.</p> <p><b>In addition, you will have no right of set-off or any offsetting rights or claims on ASB in respect of any amounts not paid by ASB on ASB Notes.</b></p> <p>See clauses 1.5, 1.6, 10.1 and 10.3 of the Terms.</p>
<p><b>Investments in ASB Notes will not receive the benefit of any guarantee</b></p>	<p>ASB Notes are not deposit liabilities or protected accounts of CBA for the purposes of the Australian Banking Act and are not guaranteed nor are they insured by any person, government, government agency or compensation scheme. CBA does not guarantee ASB. Therefore your right to seek recovery of any Interest and the Face Value of ASB Notes is limited to ASB. See "<i>You have limited rights against ASB if amounts are not paid on ASB Notes when due</i>" for further information.</p>
<p><b>ASB may raise more debt and issue other securities, which may affect the price of ASB Notes</b></p>	<p>ASB has the right in its absolute discretion to issue additional securities which may rank ahead of or equally with or after ASB Notes, whether or not secured. Any issue of other securities may affect your ability to recover Interest or the Face Value due to you in a liquidation of ASB.</p> <p>The Terms do not contain any covenants preventing ASB from raising more debt or issuing other securities, requiring ASB to refrain from certain business changes, or requiring ASB to operate within certain ratio limits.</p> <p><b>A holding of ASB Notes does not confer any right to participate in further issues of securities by ASB.</b></p> <p>It is difficult to anticipate the effect such debt or other issues of securities may have on the market price or liquidity of ASB Notes.</p>
<p><b>ASB may amend the Terms of ASB Notes and Holders will be subject to amended terms</b></p>	<p>ASB may amend the Terms of ASB Notes in two ways:</p> <ul style="list-style-type: none"> <li>• without the consent of Holders where certain conditions are met; and</li> <li>• with the consent of Holders by a Special Resolution being passed.</li> </ul> <p>These are detailed in Section 2.7 "<i>Can the investment be altered?</i>".</p> <p>Certain amendments may require ASB to first obtain a notice of non-objection from the RBNZ or the prior written approval of APRA. This is at the discretion of the RBNZ and APRA and may not be given.</p> <p>Amendments made in accordance with the Terms are binding on all Holders even if a Holder did not agree with the amendment. The amendments made may not coincide with your individual preferences.</p> <p>See clauses 11.2 - 11.5 of the Terms.</p>

Risks associated with ASB Notes specifically	
<p><b>Holders of ASB Notes are subordinated and unsecured creditors and will rank after secured and senior obligations on a winding up of ASB</b></p>	<p>In a liquidation or winding up of ASB (if Exchange has not occurred and if your rights under the relevant ASB Notes have not been terminated), <b>your rights to payment of Interest and the Face Value on ASB Notes will rank:</b></p> <ul style="list-style-type: none"> <li>• ahead of claims of holders of Tier 1 Capital securities and ASB's ordinary shares;</li> <li>• equally with claims of other Holders and holders of other securities that rank or are expressed to rank equally with ASB Notes with respect to priority of payment in a liquidation or winding up; and</li> <li>• after all deposits and other liabilities, securities and other obligations of ASB.</li> </ul> <p>An illustration of ranking in a winding up of ASB is set out at page 2.</p> <p>If, after the claims that rank ahead of ASB Notes are satisfied there are insufficient assets to pay all amounts owing on ASB Notes, there is a risk that you may lose some or all of the money you invested in ASB Notes.</p> <p>See clause 1.3 of the Terms.</p>
<p><b>CBA may substitute a NOHC as the issuer of ordinary shares on Exchange</b></p>	<p>Non-operating holding company structures are used in Australia in order to create a legal separation between the banking and non-banking activities within a group of companies, under the ultimate ownership of a non-operating holding company.</p> <p>CBA may, subject to APRA approval, substitute for itself a NOHC (a non-operating holding company that replaces CBA as the ultimate parent company of the CBA Group). If a NOHC is substituted in this way, the NOHC would become the issuer of ordinary shares on Exchange. This means you would no longer have rights against CBA. Although not currently contemplated, the implementation of a NOHC structure may involve CBA selling some but not all of its business and subsidiaries to the NOHC or a subsidiary of the NOHC. As a result, the profits and net assets of the NOHC may be different to that of CBA.</p> <p>Your claims to Interest and the Face Value of ASB Notes continue to be against ASB, even after the substitution of a NOHC (as the issuer of ordinary shares on Exchange) has occurred.</p> <p>If ASB Notes are Exchanged following such a substitution, you will become a holder of ordinary shares of the NOHC and will rank equally with all other NOHC ordinary shareholders in a liquidation of the NOHC.</p> <p>See Section 2.7 "<i>Can the investment be altered?</i>" under the heading "NOHC Event" and clause 9 of the Terms.</p>
<p><b>Holders have no rights if control of ASB or CBA changes</b></p>	<p>If the control of ASB changes (including where CBA no longer controls ASB), or the control of CBA changes (other than the substitution of a NOHC), you do not have any rights upon such change of control. In particular, you have no right to require early Repayment of your ASB Notes. There is a risk that ASB or CBA may be managed differently to the way in which they are currently managed. In addition, CBA Ordinary Shares (which would be received on the occurrence of a Non-Viability Trigger Event) may no longer be quoted on ASX.</p>

## Risks associated with ASB's and CBA's businesses which may affect ASB Notes

ASB's and CBA's businesses are exposed to risks which may impact the financial performance of ASB and CBA, adversely affecting the market price and liquidity of ASB Notes. In extreme circumstances, materialisation of one or more of these risks may result in a Non-Viability Trigger Event and the Exchange of ASB Notes for CBA Ordinary Shares, or if Exchange does not occur, the termination of your rights (including rights to payments of interest and principal and to receive CBA Ordinary Shares). These risks may also impact on ASB's ability to make payments due under ASB Notes.

Risks associated with ASB's and CBA's businesses which may affect ASB Notes	
<b>ASB and CBA may be adversely affected by disruption to global markets</b>	<p>As diversified financial institutions, ASB and CBA may be adversely affected by disruption to global markets. ASB's and CBA's ability to maintain their liquidity, which is critical to their solvency, may be affected. In addition, disruption to financial markets may flow into the real economy, and adversely affect ASB's and CBA's business growth.</p> <p>ASB's and CBA's ability to raise capital and funding at an acceptable price, or at all, may be affected. This may adversely affect their costs, performance, financial position and financial flexibility. It may affect their ability to repay debt and access capital and funding for growth.</p>
<b>ASB and CBA may be adversely affected by a downturn in the New Zealand and Australian economies</b>	<p>ASB's business is predominantly related to New Zealand and a significant proportion of CBA's business is related to Australia. A material downturn in these economies may increase unemployment, increase loan defaults, decrease house prices, decrease the value of security held and adversely affect ASB's or CBA's business.</p>
<b>ASB and CBA may incur losses associated with customer and counterparty exposures</b>	<p>ASB and CBA enter into transactions with a number of customers and counterparties. These customers and counterparties may default on their loans and other obligations to ASB or CBA due to insolvency, illiquid markets, foreign exchange controls, operational failure or other reasons. This may cause ASB or CBA to incur losses.</p>
<b>ASB and CBA may be adversely affected by changes in their credit ratings</b>	<p>ASB's and CBA's ability to raise capital and funding and other aspects of their performance may be affected if they fail to maintain their credit ratings. Credit rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which they assign credit ratings. Such changes could adversely affect the market price, liquidity and performance of ASB Notes or CBA Ordinary Shares which would be received on the occurrence of a Non-Viability Trigger Event.</p>
<b>Failure to hedge effectively against fluctuations in exchange rates could adversely impact ASB's or CBA's performance or financial position</b>	<p>ASB and CBA undertake a significant proportion of their wholesale funding in global markets in currencies other than the New Zealand Dollar or Australian Dollar. This exposes ASB and CBA to risks associated with exchange rates for the New Zealand Dollar and Australian Dollar, which may adversely affect ASB's or CBA's performance or financial position. ASB and CBA have a policy of hedging to manage this risk but the hedges may not be able to mitigate the entire impact.</p>

## Risks associated with ASB's and CBA's businesses which may affect ASB Notes

<p><b>ASB and CBA are subject to extensive regulation which may adversely affect their performance or financial position</b></p>	<p>ASB, CBA and their businesses are subject to extensive regulation by New Zealand and Australian regulators, particularly relating to capital levels, liquidity levels and solvency provisioning. In addition, ASB and CBA are subject to regulation by regulators in other jurisdictions in which they conduct business.</p> <p>The RBNZ and APRA have very wide powers under legislation, including in limited circumstances to direct banks, including ASB and CBA, not to make payments or perform other obligations. In New Zealand, the RBNZ's Open Bank Resolution ("OBR") policy requires liabilities (which could include ASB Notes) to be frozen following the appointment of a statutory manager, and then for a percentage of some of those liabilities to be made available to customers and the failed bank to re-open the following day. The execution of the OBR policy is one option available to a statutory manager in New Zealand in the event of a bank failure. The precise nature and impact of future changes in such policies are not predictable.</p> <p>ASB's and CBA's businesses and performance are also affected by policies that are adopted by the New Zealand and Australian governments and governments in other jurisdictions in which ASB and CBA conduct business.</p> <p>Any change in regulation or policy may adversely affect the performance or financial position of ASB or CBA, either on a short-term or long-term basis. ASB and CBA may also be adversely affected by the pace or extent of such change.</p>
<p><b>ASB and CBA are subject to operational risks and may incur losses</b></p>	<p>ASB's and CBA's businesses are highly dependent on their ability to process and monitor a large number of transactions, many of which are complex and across numerous and diverse markets. ASB's and CBA's financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partly outside ASB's and CBA's control. This may cause ASB or CBA to incur losses.</p> <p>In addition, ASB and CBA are exposed to the risk of loss resulting from product complexity and pricing risk; client suitability and servicing risk; incorrect evaluating, recording or accounting for transactions; human error; breaches of ASB's and CBA's internal policies and regulations; breaches of security; theft and fraud; and improper business practices.</p>
<p><b>ASB and CBA are subject to intense competition which may adversely affect their performance</b></p>	<p>ASB and CBA face intense competition in all of their businesses and jurisdictions in which they conduct business. This may affect profit margins, make businesses unsustainable, result in loss of key personnel, and adversely affect their performance and opportunities for growth.</p>
<p><b>ASB and CBA may be adversely affected by harm to their reputation</b></p>	<p>ASB and CBA manage risks relating to legal and regulatory requirements, sales and trading practices, potential conflicts of interest, money laundering laws, foreign exchange controls, trade sanctions laws, privacy laws, ethical issues and conduct by companies in which ASB and CBA hold strategic investments, which may cause harm to their reputation amongst customers and investors.</p> <p>In addition, failure to appropriately manage some of these risks could subject ASB or CBA to litigation, legal and regulatory enforcement actions, fines and penalties.</p>

## Risks associated with ASB's and CBA's businesses which may affect ASB Notes

<p><b>Acquisitions of other businesses by ASB or CBA may adversely affect their performance and financial position</b></p>	<p>From time to time, ASB and CBA may acquire other businesses. There is a risk that ASB or CBA may not achieve expected synergies from acquisitions. This may adversely affect their performance and financial position.</p> <p>In addition, there is a risk that ASB and CBA may experience disruptions to their existing businesses resulting from difficulties in integrating the systems and processes of the acquired business, and may lose customers and market share. Multiple acquisitions at the same time may exacerbate these risks.</p>
<p><b>Holders may be subject to FATCA withholding and information reporting</b></p>	<p>In order to comply with FATCA, it is possible that ASB (or, if ASB Notes are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the IRS or otherwise under applicable law) to request certain information from Holders or beneficial owners of ASB Notes, which information may in turn be provided to the IRS. ASB may also be required to withhold US tax on some portion of payments in relation to ASB Notes made after 31 December 2016 if such information is not provided or if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the IRS (and are not otherwise required to comply with the FATCA regime under applicable laws or are otherwise exempt from complying with the requirements to enter into a FATCA agreement with the IRS).</p> <p>If ASB or any other person is required to withhold amounts under or in connection with FATCA from any payments made in relation to ASB Notes, Holders and beneficial owners of ASB Notes will not be entitled to receive any gross up or additional amounts to compensate them for such withholding.</p> <p>This information is based on guidance issued by the IRS as at the date of this Investment Statement, including recently issued proposed regulations. Future guidance may affect the application of FATCA to ASB, Holders or beneficial owners of ASB Notes.</p>

## Consequences of insolvency

If ASB or CBA becomes insolvent for any reason, or is placed in voluntary administration, receivership, liquidation or statutory management, or is otherwise not able to meet its debts as they fall due, you may be unable to recover from ASB or CBA all or some of the Face Value of your ASB Notes, or may not receive timely, or any, interest payments on ASB Notes. Therefore, you may not receive the returns described in Section 2.5 *"What returns will I get?"*.

ASB Notes are unsecured, subordinated debt obligations. In a liquidation or winding up of ASB (if Exchange has not occurred and if your rights under the relevant ASB Notes have not been terminated), **your rights to payment of Interest and the Face Value on ASB Notes will rank:**

- (a) ahead of claims of holders of Tier 1 Capital securities and ASB's ordinary shares;
- (b) equally with claims of other Holders and holders of other securities that rank or are expressed to rank equally with ASB Notes with respect to priority of payment in a liquidation or winding up; and
- (c) after all deposits and other liabilities, securities and other obligations of ASB.

An illustration of ranking in a winding up of ASB is set out at page 2.

In addition, on Exchange, Holders will become holders of CBA Ordinary Shares and rank equally with other holders of CBA Ordinary Shares in a liquidation of CBA.

You will not be liable to pay money to any person as a result of the insolvency of ASB, other than selling costs where Exchange occurs and CBA has issued the relevant number of CBA Ordinary Shares to the Nominee to hold on trust for sale for your benefit. As detailed in the section entitled *"What if I do not wish to receive CBA Ordinary Shares or if I am prohibited or restricted from receiving CBA Ordinary Shares?"* under Section 2.5 *"What returns will I get?"*, the Nominee will arrange for the sale of CBA Ordinary Shares on your behalf and pay the proceeds less selling costs to you. No guarantee is given in relation to the timing or price at which any sale will occur or the selling costs applicable for any such sale.

The above factors are a brief summary of some of the risks applicable to ASB Notes, ASB and CBA. Prospective investors should not place additional importance on these risks over and above the risks identified elsewhere in this Investment Statement.

Under the Terms each Holder acknowledges and agrees that:

- **it will not have any rights to vote in respect of any Exchange or if Exchange cannot occur, termination of Holders' rights;**
- **it has no claim against ASB or CBA for any loss it may suffer arising in connection with any Exchange occurring or not occurring or any termination of Holders' rights; and**
- **it has no rights to compensation from, or any other remedies against, CBA, ASB or any other member of the CBA Group on account of the failure of CBA to issue CBA Ordinary Shares if CBA is for any reason prevented from doing so.**

## 2.7 Can the investment be altered?

ASB may amend the Terms (including the terms of an Exchange) in two ways:

The Terms are contained in the Deed Poll. ASB may amend the Deed Poll without the consent of Holders and subject to compliance with relevant laws if ASB is of the opinion that such alteration is:

- of a formal, technical or minor nature;
- made to cure any ambiguity, correct any manifest error or correct or supplement any defective provision of the Terms or amend any provision of the Deed Poll;
- necessary or expedient for the purposes of enabling a substitution for CBA of a NOHC (as described below) as the issuer of the ordinary shares to be issued on the occurrence of a Non-Viability Trigger Event;
- made to amend any date or time period stated, required or permitted in connection with any Repayment or Exchange;
- not materially prejudicial to the interests of Holders as a whole and ASB has obtained an opinion of reputable legal counsel in New Zealand to this effect;
- made to enable ASB Notes to be listed for quotation, or to retain quotation, on any securities exchange or to be offered for subscription or sale under the laws for the time being in force in any place; or
- made to comply with the provisions of any statute, the requirements of any statutory authority, the NZX Listing Rules, or the listing or quotation requirements of any securities exchange on which ASB may propose to seek a listing or quotation of ASB Notes.

ASB may also amend the Deed Poll if such alteration is approved by a Special Resolution. A Special Resolution means:

- a resolution passed at a meeting of Holders duly convened and held under the provisions for meetings of Holders set out in Schedule 2 of the Deed Poll:
  - by at least 75% of Holders voting on a show of hands unless the resolution is passed by postal ballot or written resolution as set out below; or
  - if a poll is duly demanded, by at least 75% of the votes cast; or
- a resolution passed by postal ballot or written resolution by Holders of at least 75% of the aggregate Face Value of ASB Notes then outstanding.

In both cases, the Terms of all ASB Notes will be amended. In the latter case, Holders who did not vote with the majority will be subject to the amended Terms which may not coincide with their individual preferences.

Any amendment to the terms of Exchange will be disclosed in accordance with the continuous disclosure provisions of the NZX Listing Rules as applicable.

### Required consents

Any amendments are subject to any consent or approval required under any applicable law, regulation or NZX Listing Rule. In addition, any amendments that may affect the eligibility of ASB Notes as Tier 2 Capital are subject to approval by the RBNZ and/or APRA.

### Co-Ordination Agreement

The Co-Ordination Agreement is the agreement between CBA, ASB Holdings and ASB that co-ordinates the intragroup steps required for Exchange. Subject to first obtaining a notice of non-objection from the RBNZ and the written approval from APRA (where any amendment may affect the eligibility of ASB Notes as Tier 2 Capital), ASB may amend the Co-Ordination Agreement without the consent of Holders.

### NOHC Event

A NOHC is a non-operating holding company that replaces CBA as the ultimate parent company of the CBA Group. A NOHC Event occurs when the board of directors of CBA (or a committee appointed by the board of directors of CBA) initiates a restructure of CBA Group and a NOHC becomes the ultimate holding company of CBA and ASB. Upon the occurrence of a NOHC Event, the NOHC expressly assumes CBA's obligations under the Co-Ordination Agreement including to deliver fully paid ordinary shares in its capital under all circumstances when CBA would otherwise have been required to deliver CBA Ordinary Shares, such as upon Exchange.

If a NOHC Event occurs, the Deed Poll (including the Terms) and the Co-Ordination Agreement may be amended to reflect the substitution of the NOHC as the issuer of ordinary shares on Exchange, without the consent of Holders.

Upon the requirements of the substitution of the NOHC being completed, the amended terms have effect on and from the date specified by notice.

## 2.8 How do I cash in my investment?

ASB Notes are repayable by ASB on the Maturity Date, and may be Repaid earlier in certain circumstances - see the section entitled "*When will the Face Value be repaid?*" under Section 2.5 "*What returns will I get?*".

**You do not have a right to request that your ASB Notes be Exchanged or Repaid early for any reason.** You have no ability to cash in your investment, except by selling your ASB Notes in the secondary market (if one develops).

You may sell your ASB Notes at any time at the prevailing market price. ASB and CBA do not guarantee the market price of ASB Notes.

### Secondary market transfer

If Holders transfer any ASB Notes, the price obtained for them may differ from the amount paid to purchase them. This is because changes in (among other things) market interest rates can affect the market value of ASB Notes (see the sections entitled "*The market price of ASB Notes will fluctuate*" and "*The liquidity of ASB Notes may be low*" under Section 2.6 "*What are my risks?*").

ASB Notes may only be transferred in multiples of \$1,000 in Face Value and no transfer may be made if it results in the transferor or the transferee holding ASB Notes the Face Value of which is less than \$5,000 in aggregate (unless the lesser amount is zero). You should contact your broker or financial adviser if you wish to sell or transfer ASB Notes.

Neither ASB nor CBA will compensate you for any loss you incur if you choose to sell ASB Notes.

Application has been made to NZX for permission to quote ASB Notes on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the date of distribution of this Investment Statement have been duly complied with. However, ASB Notes have not yet been approved for trading and NZX accepts no responsibility for any statement in this Investment Statement. NZX is a registered exchange and the NZX Debt Market is a registered market under the Securities Markets Act 1988.

To be eligible to trade ASB Notes on the NZX Debt Market, you must have an account with a NZX Primary Market Participant, a CSN and an Authorisation Code (“**FIN**”). If you do not have an account with a broker you should be aware that opening an account can take a number of days depending on the NZX Primary Market Participant’s new client procedures. If you do not have a CSN you will be automatically assigned one. You will also be able to obtain your CSN by calling (09) 488 8777 from the Issue Date. You will also receive a CSN from the Registry when you receive your Holding Statement (which is expected to be sent on 22 April 2014). If you do not have a FIN, it is expected that you will be sent one as a separate communication by the Registry on the Issue Date. If you have a broker and have not received a FIN by the date you want to trade your ASB Notes, your broker can arrange to obtain your FIN from the Registry. Your broker will be charged NZ\$20 for requesting your FIN from the Registry and may pass this cost on to you.

In the opinion of ASB, it is expected that there will be a secondary market for ASB Notes. However, ASB gives no assurances as to the existence or characteristics of such secondary market. Brokerage at applicable rates is likely to be payable by you on any transfer of your ASB Notes effected through an NZX Primary Market Participant.

Applicants should not attempt to sell ASB Notes until they know whether, and how many, have been issued to them. None of ASB, CBA, the Organising Participant, the other Joint Lead Managers, the Registry or any of their respective directors or employees or any other person accepts any liability or responsibility should any applicant for ASB Notes attempt to sell or otherwise deal with any ASB Notes before receiving from the Registry a statement recording the number of ASB Notes issued to them.

For further information about repayment, see Section 2.5 “*What returns will I get?*”.

Subject to applicable legal requirements and with the RBNZ and APRA’s approval (where required), ASB, CBA and other members of the CBA Group may subscribe for, purchase or resell ASB Notes from time to time.

## 2.9 Who do I contact with inquiries about my investment?

Any inquiries about ASB Notes can be directed to the Registry for ASB Notes at the address set out in the Corporate Directory on the inside back cover, or by way of telephone, facsimile or email as follows:

Telephone: (09) 488 8777  
Facsimile: (09) 488 8787  
Email: enquiry@computershare.co.nz

## 2.10 Is there anyone to whom I can complain if I have problems with the investment?

Any complaints about ASB Notes can be directed to:

The Registry for ASB Notes at the address set out in the Corporate Directory on the inside back cover, or by way of telephone, facsimile or email as follows:

Telephone: (09) 488 8777  
Facsimile: (09) 488 8787  
Email: enquiry@computershare.co.nz

OR

ASB, addressed to “Customer Care Manager” at the address set out in the Corporate Directory on the inside back cover, or by way of telephone or email as follows:

Telephone: 0800 80 38 04 or (09) 377 8930  
Email: customercare@asb.co.nz

Customer Care will arrange for your complaint to be considered through the formal complaints process.

If you are not satisfied with the response you receive from ASB, you may direct your complaint to the Banking Ombudsman at the following address:

PO Box 25-327  
Level 5  
Huddart Parker Building  
1 Post Office Square  
Wellington  
New Zealand  
Telephone 0800 80 59 50



## 2.11 What other information can I obtain about this investment?

### Disclosure Statement, Deed Poll, Co-Ordination Agreement and CBA Constitution

Further information about ASB is contained or referred to in its latest interim and full year disclosure statements (which contain ASB's most recent financial statements) and are available on ASB's website [www.asb.co.nz/section176.aspx](http://www.asb.co.nz/section176.aspx). Additional information about ASB Notes is contained in the Deed Poll (including the Terms) and Co-Ordination Agreement. Information regarding CBA Ordinary Shares is contained in Section 5 "*Information about CBA Ordinary Shares if Exchange occurs*" and the CBA Constitution.

You may obtain a copy of the Deed Poll, the Co-Ordination Agreement and further copies of this Investment Statement free of charge, on request, during normal business hours from the Registry, either at the address set out in the Corporate Directory on the inside back cover, or by way of telephone, facsimile or email as follows:

Telephone: (09) 488 8777

Facsimile: (09) 488 8787

Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)

### What is the Deed Poll?

A trustee has not been appointed for ASB Notes. Instead, there is a Deed Poll made by ASB in favour of each person who is from time to time a Holder. The Deed Poll gives legal effect to ASB's obligations in the Terms.

Under the Deed Poll, ASB also undertakes to appoint the Registry and procure the Registry to establish and maintain a Register.

The Deed Poll also includes provisions for meetings of Holders to consider matters affecting their interests.

Holders will be bound by the terms of the Deed Poll, the Terms and this Investment Statement when ASB Notes are Issued or transferred to them or when they purchase ASB Notes.

The Registry holds the original executed Deed Poll on behalf of Holders. Each Holder can enforce ASB's obligations under the Deed Poll, including the Terms and the provisions for meetings, independently of the Registry and each other.

### What is the Co-Ordination Agreement?

The Co-Ordination Agreement sets out the contractual arrangements between ASB, CBA and ASB Holdings (ASB's immediate parent) relating to certain intragroup steps in relation to the Exchange.

### What is the CBA Constitution?

The CBA Constitution contains provisions relating to the rights of holders of CBA Ordinary Shares. A copy of the CBA Constitution can be obtained from [www.asb.co.nz/subordinated-notes](http://www.asb.co.nz/subordinated-notes).

### Available information

You can obtain a copy of ASB's latest disclosure statement free of charge at ASB's registered office at Level 2, ASB North Wharf, 12 Jellicoe Street, Auckland 1010 or from [www.asb.co.nz/section176.aspx](http://www.asb.co.nz/section176.aspx).

The full year disclosure statements (which contain ASB's full year financial statements) and other documents of, or relating to, ASB are filed on a public register. You may view them on the Companies Office website (<http://www.business.govt.nz/companies>).

In addition to the above information, you (whether you subscribe for ASB Notes from ASB or purchase them from someone else) will receive a Holding Statement from the Registry setting out certain information in relation to your holding of ASB Notes within 5 Business Days after the date of allotment of ASB Notes or registration of the relevant transfer (as the case may be).

The Registry will provide you with a RWT certificate (subject to minimum interest thresholds being met) on each Interest Payment Date that states the amount of interest that has been paid to you and, if applicable, the RWT deducted from interest paid or credited to you in respect of your ASB Notes.

In addition, important information relating to ASB Notes, CBA Ordinary Shares (including their price), ASB and CBA will be disclosed in accordance with the continuous disclosure provisions of the NZX Listing Rules and the ASX Listing Rules as applicable.

### On request information

You may request in writing, free of charge, further information about ASB Notes and ASB from its registered office at Level 2, ASB North Wharf, 12 Jellicoe Street, Auckland 1010. This includes ASB's latest interim and full year disclosure statements (which contain ASB's most recent financial statements) and the terms and conditions and details applicable to your ASB Notes.

### Other information about CBA

CBA is a disclosing entity for the purposes of the Australian Corporations Act. It is subject to regular reporting and disclosure obligations under the Australian Corporations Act and the ASX Listing Rules, including an obligation to lodge Pillar 3 - capital adequacy and risk disclosures, annual reports and half-yearly and annual financial reports with the ASX. Copies of these and other documents lodged with ASX can be obtained from [www.asx.com.au](http://www.asx.com.au). Copies of documents lodged with ASIC in relation to CBA may be obtained from, or inspected at, an ASIC office (a fee may be payable and/or the document requested may not be provided immediately).

Upon request during the Offer Period, CBA will provide, free of charge, a copy of its latest annual financial report released to ASX on 19 August 2013, profit announcement for the half year ended 31 December 2013 released to ASX on 12 February 2014 and any continuous disclosure notices given by CBA to ASX since 19 August 2013 and before the date of this Investment Statement.

**If you have any questions about ASB Notes or the Offer, you should seek advice from your financial adviser or other professional adviser. Applicants may also call their Syndicate Broker.**

# Section 3

## Information about ASB

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## Introduction

ASB is the issuer of ASB Notes. CBA is ASB's ultimate parent company, and is the issuer of CBA Ordinary Shares if ASB Notes are required to be Exchanged. A diagram of the ownership structure of the CBA Group (as relevant to the Offer) is set out below:



## 3.1 Profile of ASB

ASB is a full service, nationally operating bank. ASB is 100% owned by ASB Holdings which in turn is 100% owned by CBA. ASB's board of directors and management operate autonomously from the board of directors and management of CBA. Further information about CBA is contained in Section 4.

ASB's vision 'Unbeatable Team. Unbeatable Service' remains underpinned by a three year strategic goal of 'First in Profitable Growth'. ASB's core strategy is to differentiate through superior customer service backed by technology leadership.

### 3.1.1 ASB history

The Auckland Savings Bank was founded in June 1847. Following deregulation of the banking industry in late 1986, it became a full-service bank, and changed its name to ASB Bank in August 1987. As a result of the Trustee Banks Restructuring Act 1988, ASB was incorporated on 16 August 1988.

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

On 3 October 2000, CBA purchased the remaining 25% of ASB's holding company from the ASB Bank Community Trust, making CBA the ultimate parent company of ASB.

## 3.2 Businesses of ASB

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

### Personal Banking

Central to ASB's personal banking strategy is providing customer service through the practical application of technology. ASB was the first bank in New Zealand to offer real time banking, and since then ASB has continued to invest in, and take advantage of, technological advances that make it easier for customers to conduct business with ASB.

### Corporate, Business and Rural Banking

ASB is a supplier of financial services to businesses and farmers. Its strong capabilities make it the preferred financial partner for many leading businesses, offering innovative, flexible solutions and delivering its services through the use of advanced, online technology. ASB also provides corporate finance, specialist international trade and financial services, interest rate and financing solutions and transactional banking.

### Investment Services

Through its subsidiary, ASB Group Investments Limited, ASB customers can invest in a range of international and domestic managed funds and retirement savings options.

### Share Broking

ASB Securities Limited, a wholly owned subsidiary of ASB, is a share broking operation and an NZX Trading and Advising Firm, accredited and approved by NZX.

## 3.3 Directors and management of ASB

ASB's directors are listed in Section 2.2 "Who is involved in providing it for me?". ASB's directors, chief executive officer and any executive who reports to, or is accountable directly to ASB's chief executive officer can only be appointed if the RBNZ has been provided with a copy of the curriculum vitae of the proposed appointee, and the RBNZ has advised that it has no objection to that appointment.

## 3.4 Capital adequacy

ASB is a registered bank regulated by the RBNZ and other regulatory bodies. The RBNZ generally follows the principles for banking supervision (known as "Basel II" and "Basel III") developed by the Basel Committee on Banking Supervision.

Under the RBNZ's banking standards, ASB is required to hold a minimum level of regulatory capital against its risk-weighted assets (a measure of a bank's assets on a risk-adjusted basis) in order for such capital to absorb losses which ASB may incur from time to time and therefore protect depositors.

Investments in ASB Notes may be affected by the ongoing financial position and solvency of ASB. ASB's regulatory capital levels are an indication of its financial position. Therefore, this section summarises the regulatory capital requirements which ASB is required to comply with and which you should understand when deciding to invest in ASB Notes. Regulatory capital consists of two different categories: Tier 1 Capital (which comprises Common Equity Tier 1 Capital and Additional Tier 1 Capital) and Tier 2 Capital.

Common Equity Tier 1 Capital comprises ordinary share capital, retained earnings plus certain other items recognised as capital. The ratio of this form of capital to risk-weighted assets is called the Common Equity Tier 1 Capital Ratio.

Tier 1 Capital comprises Common Equity Tier 1 Capital plus certain securities recognised as Additional Tier 1 Capital. The ratio of this form of capital to risk-weighted assets is called the Tier 1 Capital Ratio.

Tier 2 Capital comprises instruments that are considered to have a lesser ability (in contrast to Tier 1 Capital) to absorb losses incurred by a bank, such as subordinated debt. ASB Notes will constitute Tier 2 Capital for the ASB Group under the RBNZ's banking standards.

The strongest and most loss absorbent form of capital is Common Equity Tier 1 Capital, followed by Additional Tier 1 Capital and then followed by Tier 2 Capital.

### ASB Group's Tier 1 Capital ratios and capital requirements

	Tier 1 Capital ratio	Tier 1 Capital (NZ\$Bn)	Minimum Tier 1 Capital ratio	Minimum Tier 1 Capital (NZ\$Bn)
Dec 2013 (Basel III)	12.4%	4.98	6.0%	2.40
Jun 2013 (Basel III)	11.8%	4.59	6.0%	2.34
Jun 2012 (Basel II)	11.7%	3.87	4.0%	1.32

The sum of Tier 1 Capital and Tier 2 Capital is called Total Capital. The ratio of Total Capital to risk-weighted assets is called the Total Capital Ratio. Assuming that the net proceeds raised by the issue of ASB Notes is NZ\$300 million and using the method of calculation required by the RBNZ's banking standards, this would increase the ASB Group's 31 December 2013 Total Capital Ratio by approximately 0.75%.

ASB is required to comply with the following minimum capital ratios, measured in relation to its risk-weighted assets:

- a Common Equity Tier 1 Capital Ratio of 4.5%;
- a Tier 1 Capital Ratio of 6.0%; and
- a Total Capital Ratio of 8.0%.

ASB holds, and intends to hold in the future, capital at levels above these minimums.

ASB is also required to maintain a capital conservation buffer of 2.5% of Common Equity Tier 1 Capital above the minimum ratios. The RBNZ also has the discretion to apply an additional countercyclical buffer with an indicative range of between 0% and 2.5%, although the RBNZ has not applied a formal upper limit.

ASB Group's Tier 1 Capital and Common Equity Tier 1 Capital ratios are set out in the tables provided in this section.

In the event that ASB's capital conservation buffer falls below the minimum required ratio of 2.5%, ASB will immediately notify NZX and distributions to ASB's ordinary and preference shareholders may be restricted until the buffer is restored. ASB will submit a capital plan to the RBNZ for approval. Payments in respect of ASB Notes will not be restricted, subject to ASB remaining Solvent and ASB Group being Solvent immediately after the relevant payment is made.

The RBNZ's website at [www.rbnz.govt.nz](http://www.rbnz.govt.nz) includes further details of its functions and banking standards.

### ASB Group's Common Equity Tier 1 Capital ratios and capital requirements

	Common Equity Tier 1 Capital ratio	Common Equity Tier 1 Capital (NZ\$Bn)	Minimum Common Equity Tier 1 Capital ratio	Minimum Common Equity Tier 1 Capital (NZ\$Bn)	Common Equity Tier 1 Capital Buffer ratio	Surplus Common Equity Tier 1 Capital (NZ\$Bn)
Dec 2013 (Basel III)	11.1%	4.43	4.5%	1.80	4.5%	2.63
Jun 2013 (Basel III)	10.4%	4.04	4.5%	1.75	3.9%	2.29

The information in the above tables has been sourced from the ASB Disclosure Statement and Annual Report for the year ended 30 June 2013 and the ASB Disclosure Statement for the six months ended 31 December 2013. These are available as set out in Section 2.11 "What other information can I obtain about this investment?".

## 3.5 ASB's approach to capital management

ASB's objectives for the management of capital are to comply at all times with the regulatory capital requirements set by the RBNZ, to maintain a strong or very strong credit rating and to support the future development and growth of the business.

The ASB Board has ultimate responsibility for capital adequacy, and minimum capital levels and limits. These are set at a higher level than required by the RBNZ.

Further information about ASB's approach to capital management can be found in the section entitled "Capital Adequacy" in the ASB Disclosure Statement and Annual Report 2013 which is available from the ASB website at [www.asb.co.nz/section176.aspx](http://www.asb.co.nz/section176.aspx).

## 3.6 Funding and liquidity

Investments in ASB Notes may be affected by the ongoing financial position and solvency of ASB. ASB's funding and liquidity levels are an indication of its financial position and solvency. Material changes in ASB's liquidity and funding levels may, in extreme circumstances, result in a Non-Viability Trigger Event. In addition, ASB's obligation to pay Interest or the Face Value is subject to ASB remaining Solvent and the ASB Group being Solvent immediately after the payment. Therefore, this section summarises how ASB manages its funding and liquidity, which you should understand when deciding to invest in ASB Notes.

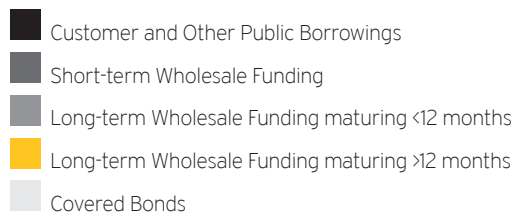
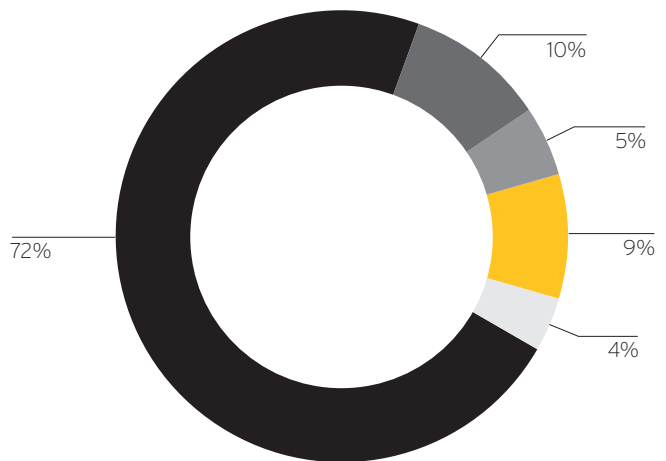
### 3.6.1 Funding

ASB raises customer deposits as well as long-term and short-term wholesale debt to fund its business activities, including lending. Customer deposits include transaction, savings and investment deposits raised from retail, business and institutional clients, predominantly in New Zealand.

Long-term and short-term wholesale debt is raised domestically and overseas. ASB conservatively but proactively manages the amount, term and mix of its funding to ensure sufficient funding for its current business activities and to manage future growth.

Wholesale debt maturities are also managed to ensure that liabilities can be repaid or refinanced when they fall due.

ASB's funding by type as at 31 December 2013

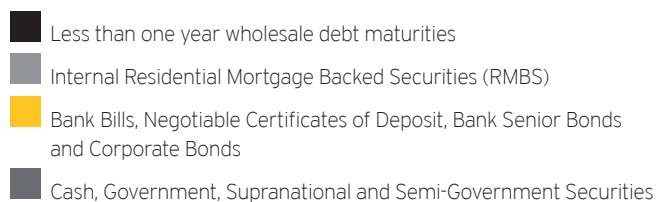
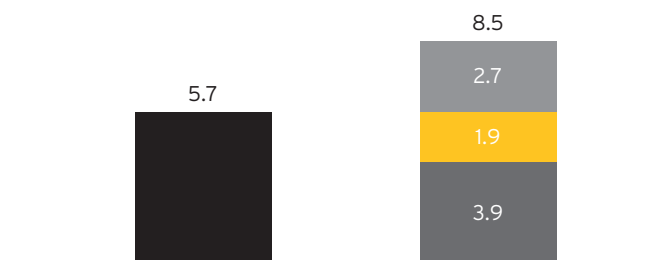


### 3.6.2 Liquidity

ASB ensures that it has sufficient cash and other marketable assets (known as "liquid assets") to ensure that it is able to repay its short-term liabilities, including repaying deposits, when they fall due.

Under the RBNZ's banking standards, ASB is required to hold a minimum amount of liquid assets. ASB holds, and intends to hold in the future, liquid assets above this minimum.

ASB's liquid assets as at 31 December 2013 (NZ\$Bn)



## 3.7 ASB's consolidated performance in brief

	For the six months ended 31 December 2013 (unaudited)	For the year ended 30 June 2013 (audited)	For the year ended 30 June 2012 (audited)
<b>INCOME STATEMENT (\$ MILLIONS)</b>			
Interest Income	1,785	3,476	3,547
Interest Expense	(1,014)	(2,071)	(2,243)
<b>Net Interest Earnings</b>	<b>771</b>	<b>1,405</b>	<b>1,304</b>
Other Income <sup>1</sup>	213	407	427
<b>Total Operating Income<sup>1</sup></b>	<b>984</b>	<b>1,812</b>	<b>1,731</b>
Impairment Losses on Advances	(21)	(56)	(47)
<b>Total Operating Income after Impairment Losses<sup>1</sup></b>	<b>963</b>	<b>1,756</b>	<b>1,684</b>
Total Operating Expenses <sup>1</sup>	(387)	(744)	(737)
<b>Net Profit before Taxation</b>	<b>576</b>	<b>1,012</b>	<b>947</b>
Taxation	(160)	(307)	(262)
<b>Net Profit after Taxation</b>	<b>416</b>	<b>705</b>	<b>685</b>

	As at 31 December 2013 (unaudited)	As at 30 June 2013 (audited)	As at 30 June 2012 (audited)
<b>BALANCE SHEET (\$ MILLIONS)</b>			
<b>Total Assets</b>	<b>67,522</b>	<b>66,570</b>	<b>63,537</b>
Advances to Customers	59,297	57,726	53,002
<b>Total Liabilities</b>	<b>62,153</b>	<b>61,545</b>	<b>59,350</b>
Customer Deposits (includes Term Deposits, On Demand and Short Term Deposits and Deposits Not Bearing Interest)	43,684	41,289	38,975

This information has been sourced from the audited financial statements for the year ended 30 June 2013 (available in the ASB Disclosure Statement and Annual Report 2013) and the unaudited financial statements for the six months ended 31 December 2013 (available in the ASB Disclosure Statement for the six months ended 31 December 2013). These are available as set out in Section 2.11 "What other information can I obtain about this investment?"

(1) These comparatives for the year ended 30 June 2013 have been restated in ASB's 31 December 2013 profit announcement which was released on 12 February 2014. Accordingly, these figures will differ from those included in ASB's 31 December 2013 profit announcement.

# Section 4

## Information about CBA

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## 4.1 Profile of CBA

CBA is one of Australia's leading providers of integrated financial services including retail banking, premium banking, business banking, institutional banking, funds management, superannuation, insurance, and investment and share broking products and services. CBA is one of the largest companies listed on ASX and had a market capitalisation of A\$120 billion as at 20 February 2014. CBA is an authorised deposit-taking institution regulated by the Australian Prudential Regulation Authority ("APRA") and other regulatory bodies.

The strategic vision of CBA is to be a leading financial services organisation globally, built around a simple purpose: to excel at securing and enhancing the financial wellbeing of people, businesses and communities. The overarching priority for CBA is customer focus supported by four clear capabilities - technology, people, strength and productivity.

The CBA brand is one of the most recognised brands in the Australian financial services industry. Other award-winning brands within CBA include Colonial First State's wealth management business, Commonwealth Securities Limited's ("CommSec") online broking service, and Bankwest.

You should also focus on the financial position of CBA when deciding to invest in ASB Notes. Investments in ASB Notes are an investment in ASB and may be affected by the ongoing performance, financial position and solvency of ASB. ASB Notes may also be affected by the ongoing performance, financial position and solvency of CBA. They are not deposit liabilities or protected accounts of CBA for the purposes of the Australian Banking Act.

## 4.2 Businesses of CBA

The principal businesses of CBA are carried out in the following business segments. The segments are based on the types of products and services provided to customers.

### Retail Banking Services

Retail Banking Services' role is to deliver customised service, focusing on meeting the financial needs of personal and small business customers seeking simple, convenient and affordable banking. It also oversees CBA's marketing functions and online strategy and development.

### Business and Private Banking

Business and Private Banking manages relationships with CBA's small-medium enterprise customers and its regional and agribusiness customers, providing a wide range of services and solutions. It also services CBA's personal and institutional online trading customers, and provides service, advice and opportunities to CBA's premium personal customers through Commonwealth Private.

### Institutional Banking and Markets

Institutional Banking and Markets provides equity, debt and banking services, including payment systems, to CBA's institutional clients. Its Total Capital Solutions approach delivers industry expertise and specialist skills that meet clients' needs and span the capital spectrum.

### Wealth Management

Wealth Management brings together CBA's funds management, manufacturing and distribution capability as well as its domestic insurance and financial advice business support divisions. These divisions include the well-known brands of Colonial First State Global Asset Management, Colonial First State and CommInsure.

### New Zealand

New Zealand includes banking, funds management and insurance businesses operating in New Zealand under the well-known brands of ASB and Sovereign.

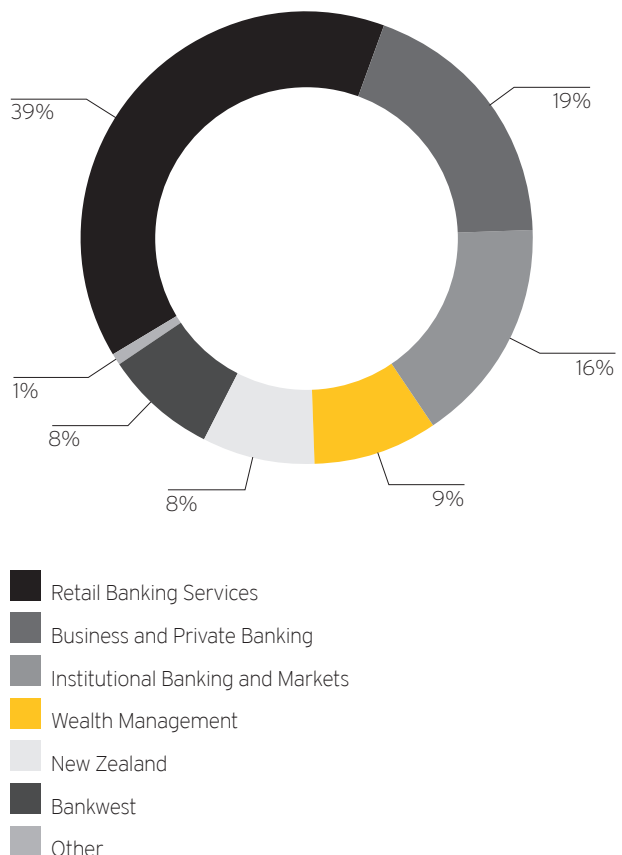
### Bankwest

Bankwest is a full service banking division active in all domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products.

### International Financial Services and other

International Financial Services Asia (IFS Asia) incorporates the Asian retail and small-medium enterprise banking operations (Indonesia, China, Vietnam and India), investments in Chinese and Vietnamese retail banks, the joint venture Chinese life insurance business and the life insurance operations in Indonesia. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management businesses in Asia.

### Business contribution to CBA's net profit after tax for the six months ended 31 December 2013





## 4.3 Directors and management of CBA

CBA's directors are listed in Section 2.2 "Who is involved in providing it for me?". Further information on the directors and management of CBA can be found in CBA's Annual Report 2013.

## 4.4 Capital adequacy

CBA is an authorised deposit-taking institution regulated by APRA and other regulatory bodies. APRA also follows the Basel II and Basel III framework, and requires CBA to hold a minimum level of regulatory capital against its risk-weighted assets in order for such capital to absorb losses which may be incurred from time to time and therefore protect depositors.

Investments in ASB Notes may be affected by the ongoing financial position and solvency of CBA. CBA's regulatory capital levels are an indication of its financial position. Therefore, this section summarises the regulatory capital requirements which CBA is required to comply with and which you should understand when deciding to invest in ASB Notes.

An explanation of regulatory capital and capital ratios which is also relevant for CBA is set out at Section 3.4 "Capital Adequacy".

CBA is required to comply with the following minimum capital ratios, measured in relation to its risk-weighted assets:

- a Common Equity Tier 1 Capital Ratio of 4.5%;
- a Tier 1 Capital Ratio of 6.0%; and
- a Total Capital Ratio of 8.0%.

CBA holds, and intends to hold in the future, capital at levels above these minimums.

From 1 January 2016 CBA will be required to maintain a capital conservation buffer of 2.5% of Common Equity Tier 1 Capital

above the minimum ratios. APRA will also have the discretion to apply an additional countercyclical buffer with an indicative range of between 0% and 2.5%.

From 1 January 2016, APRA will also require domestic systemically important Australian banks, such as CBA, to hold a further capital buffer of 1% of Common Equity Tier 1 Capital.

APRA's website at [www.apra.gov.au](http://www.apra.gov.au) includes further details of its functions and prudential standards.

APRA has provided confirmation to CBA that ASB Notes will constitute Tier 2 Capital of CBA Group. ASB Notes qualify as Tier 2 Capital for the CBA Group as CBA is the ultimate parent company of ASB.

## 4.5 CBA's approach to capital management

CBA conservatively but proactively manages its capital position to avoid breaching the minimum capital requirements and to ensure it has sufficient capital to manage future growth.

CBA also conducts internal assessments of the appropriate level of capital to hold, and regularly stress-tests various scenarios to ensure that it holds sufficient capital to withstand such stresses. It takes into consideration the level of capital held by peer banks, both domestic and global.

Further information about CBA's approach to capital management can be found in the section entitled "Capital" in CBA's profit announcement for the half year ended 31 December 2013.

### CBA Level 2 Common Equity Tier 1 Capital levels under Basel II and Basel III (under APRA's approach)

	Common Equity Tier 1 Capital ratio	Common Equity Tier 1 Capital (A\$Bn)	Minimum Common Equity Tier 1 Capital ratio (Basel III)	Minimum Common Equity Tier 1 Capital (A\$Bn)	Surplus above minimum Common Equity Tier 1 Capital ratio	Surplus Common Equity Tier 1 Capital (A\$Bn)
31 Dec 2013 (Basel III)	8.5%	28.5	4.5%	15.0	4.0%	13.5
30 Jun 2013 (Basel III)	8.2%	27.0	4.5%	14.8	3.7%	12.2
1 Jan 2013 (Basel III)	8.1%	25.6	4.5%	14.2	3.6%	11.4
31 Dec 2012 (Basel II)	8.3%	25.0	4.5%	13.6	3.8%	11.4
30 Jun 2012 (Basel II)	7.8%	23.7	4.5%	13.6	3.3%	10.1

This information has been sourced from the CBA's Pillar 3 - capital adequacy and risk disclosures as at 30 June 2013 and 31 December 2013. These are available as set out in Section 2.11 "What other information can I obtain about this investment?"

## 4.6 Funding and liquidity

Investments in ASB Notes may be affected by the ongoing financial position and solvency of CBA. CBA's funding and liquidity levels are an indication of its financial position and solvency. Material changes in CBA's liquidity and funding levels may, in extreme circumstances, result in a Non-Viability Trigger Event. Therefore, this section summarises how CBA manages its funding and liquidity, which you should understand when deciding to invest in ASB Notes.

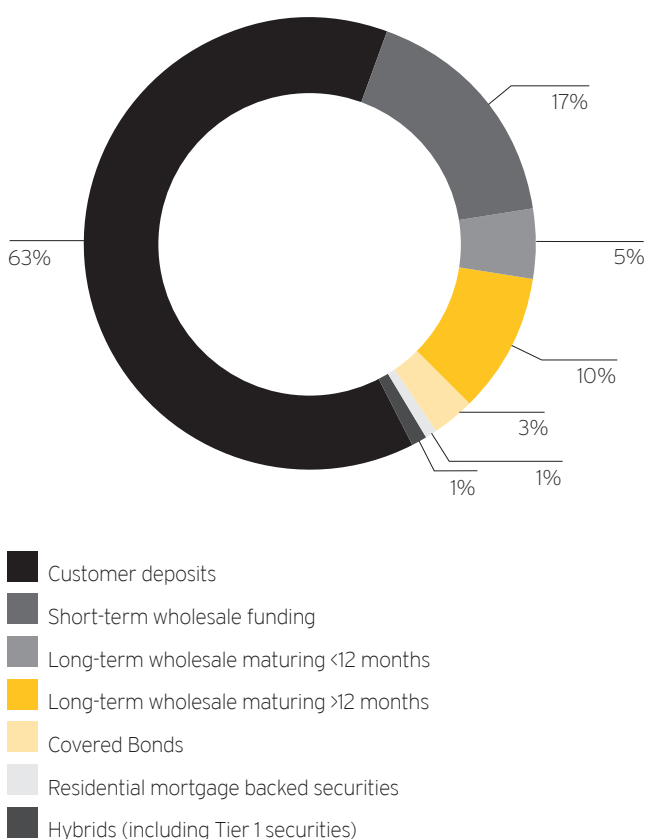
### 4.6.1 Funding

CBA raises customer deposits as well as long-term and short-term wholesale debt to fund its business activities, including lending. Customer deposits include transaction, savings and investment deposits raised from retail, business and institutional clients, predominantly in Australia.

Long-term and short-term wholesale debt is raised domestically and overseas. CBA conservatively but proactively manages the amount, term and mix of its funding to ensure sufficient funding for its current business activities and to manage future growth.

Wholesale debt maturities are also managed to ensure that liabilities can be repaid or refinanced when they fall due.

#### CBA's funding by type as at 31 December 2013

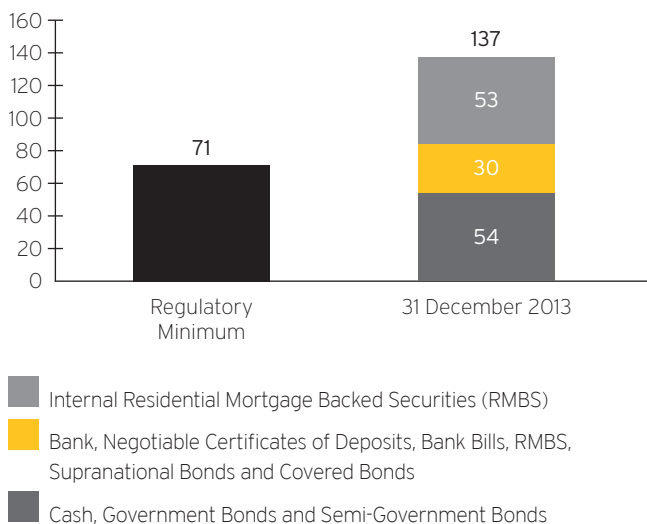


### 4.6.2 Liquidity

CBA ensures that it has sufficient cash and other marketable assets (known as "liquid assets") to ensure that it is able to repay its short-term liabilities, including repaying deposits, when they fall due.

Under APRA's prudential standards, CBA is required to hold a minimum amount of liquid assets. CBA holds, and intends to hold in the future liquid assets above this minimum.

#### CBA's liquid assets as at 31 December 2013 (A\$Bn)



### 4.6.3 Introduction of Basel III funding and liquidity reforms

In December 2010, the Basel Committee on Banking Supervision ("BCBS") published a discussion paper on banking reforms to address issues which led to the Global Financial Crisis and to position banks for future crises. The objective of the funding and liquidity reforms are to increase the stability of bank funding and the amount and quality of liquid assets held by the banks to cover potential cash outflows. The reforms are to be phased in from 1 January 2015 to 1 January 2018 and are known as "Basel III".

In December 2013, APRA published the prudential standards relating to the implementation of the Basel III funding and liquidity reforms in Australia. The standards apply from 1 January 2014 and largely align with the approach taken by the BCBS.

Under the APRA prudential standards, from 1 January 2015, CBA will be required to hold a stock of high quality liquid assets to meet expected cash outflows for a 30-day period under a severe stress scenario. Until that time, CBA will continue to be required to hold liquid assets based on the existing regulatory requirements. CBA holds high quality liquid assets in excess of the current regulatory minimum and is well advanced in the preparation for the new rules that will apply from 1 January 2015.

## 4.7 CBA's consolidated performance in brief

CBA Group Performance Summary (A\$m)	For the six months ended 31 December 2013	For the year ended 30 June 2013	For the year ended 30 June 2012
Net interest income	7,444	13,944	13,157
Other banking income	2,234	4,156	3,927
<b>Total banking income</b>	<b>9,678</b>	<b>18,100</b>	<b>17,084</b>
Funds management income	1,003	1,828	1,957
Insurance income	386	739	960
<b>Total operating income</b>	<b>11,067</b>	<b>20,667</b>	<b>20,001</b>
Investment experience	81	154	149
<b>Total income</b>	<b>11,148</b>	<b>20,821</b>	<b>20,150</b>
Operating expenses	(4,751)	(9,010)	(9,196)
Loan impairment expense	(457)	(1,082)	(1,089)
<b>Net profit before tax</b>	<b>5,940</b>	<b>10,729</b>	<b>9,865</b>
Corporate tax expense	(1,662)	(2,953)	(2,736)
Non-controlling interests	(10)	(16)	(16)
<b>Net profit after tax ("cash basis")</b>	<b>4,268</b>	<b>7,760</b>	<b>7,113</b>
Hedging and IFRS volatility	(5)	27	124
Other non-cash items	(56)	(169)	(147)
<b>Net profit after tax ("statutory basis")</b>	<b>4,207</b>	<b>7,618</b>	<b>7,090</b>

CBA Assets and Liabilities (A\$m)	As at 31 December 2013	As at 30 June 2013	As at 30 June 2012
<b>Interest earning assets</b>			
Home loans	387,021	372,840	352,981
Consumer finance	22,636	22,013	21,057
Business and corporate loans	180,582	172,314	166,188
<b>Loans, bills discounted and other receivables</b>	<b>590,239</b>	<b>567,167</b>	<b>540,226</b>
Non-lending interest earning assets	119,388	106,060	104,304
<b>Total interest earning assets</b>	<b>709,627</b>	<b>673,227</b>	<b>644,530</b>
Other assets	72,674	80,630	74,329
<b>Total assets</b>	<b>782,301</b>	<b>753,857</b>	<b>718,859</b>
<b>Interest bearing liabilities</b>			
Transaction deposits	96,143	87,673	81,104
Savings deposits	120,686	106,935	91,279
Investment deposits	196,955	199,397	197,138
Other demand deposits	59,759	54,472	58,852
<b>Total interest bearing deposits</b>	<b>473,543</b>	<b>448,477</b>	<b>428,373</b>
Debt issues	147,482	138,871	134,429
Other interest bearing liabilities	47,299	44,306	38,704
<b>Total interest bearing liabilities</b>	<b>668,324</b>	<b>631,654</b>	<b>601,506</b>
Non-interest bearing liabilities	66,940	76,666	75,781
<b>Total liabilities</b>	<b>735,264</b>	<b>708,320</b>	<b>677,287</b>

CBA's total assets and total liabilities as at 30 June 2013 and as at 31 December 2013 have been taken from its unaudited financial statements for the six months ended 31 December 2013 (available in CBA's profit announcement for the half year ended 31 December 2013). CBA's total assets and total liabilities as at 30 June 2012 have been taken from its audited financial statements for the year ended 30 June 2013 (available in CBA's Annual Report 2013). The balance of the information has not been prepared in accordance with Australian equivalents of International Financial Reporting Standards but has been sourced from CBA's profit announcements for the half year ended 31 December 2013 and the full year ended 30 June 2013. These documents are available as set out in Section 2.11 "What other information can I obtain about this investment?"

CBA's total assets at the Exchange Date are likely to be different to the total assets disclosed in this Investment Statement.

## 4.8 Impact of the Offer and Exchange on CBA

The issue of ASB Notes by ASB will not have a material impact on CBA's financial position. If a Non-Viability Trigger Event occurs and CBA issues CBA Ordinary Shares, the impact of Exchange on CBA would be to increase CBA's shareholders' equity. The number of CBA Ordinary Shares issued on Exchange is limited to the Maximum Exchange Number. Based on an illustrative issue amount of NZ\$300m, CBA's closing share price on 20 February 2014 of A\$74.60 and a Cross Rate of 0.92, the Maximum Exchange Number of shares would represent less than 2% of CBA's current issued shares.

# Section 5

## Information about CBA Ordinary Shares if Exchange occurs

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## 5.1 CBA Ordinary Shares received on Exchange

If a Non-Viability Trigger Event occurs, ASB will automatically and immediately Exchange, all or some, ASB Notes for CBA Ordinary Shares.

A change in circumstances occurring between the Issue Date and the Exchange Date could materially affect the CBA Ordinary Shares (including their price) or CBA. CBA will issue to you on the Exchange Date the relevant number of CBA Ordinary Shares, even if, at that time, there are adverse circumstances that make this Investment Statement false or misleading in a material particular by reason of failing to refer, or give proper emphasis, to those circumstances.

This section summarises how to calculate the number of CBA Ordinary Shares you will receive if Exchange is required.

You should read both this section and the section entitled “How does Exchange work?” under Section 2.5 “What returns will I get?” to understand what happens if a Non-Viability Trigger Event occurs.

Number of CBA Ordinary Shares received on Exchange		Further information
<b>Exchange Number</b>	<p>The Exchange Number is the number of CBA Ordinary Shares that will be issued per ASB Note on Exchange. The Exchange Number is calculated according to the following formula and is subject to the Exchange Number being no greater than the Maximum Exchange Number:</p> $\text{Exchange Number for each ASB Note} = \frac{\text{Face Value} \times \text{Cross Rate}}{0.99 \times \text{VWAP}}$ <p>Where:</p> <ul style="list-style-type: none"> <li>• VWAP means the average daily volume weighted average price of CBA Ordinary Shares traded on ASX during the period of five Business Days on which trading in CBA Ordinary Shares took place immediately preceding (but not including) the occurrence of a Non-Viability Trigger Event subject to adjustments (see “Adjustments to VWAP or Issue Date VWAP” below). It is intended to calculate a fair price of CBA Ordinary Shares which is used to calculate the Exchange Number.</li> <li>• Cross Rate means the average NZ\$/A\$ currency exchange rate during the five Business Day period immediately preceding (but excluding) the Exchange Date, as determined in accordance with the Terms.</li> </ul> <p>Under this formula, multiplying VWAP by 0.99 results in a 1% discount to the price of CBA Ordinary Shares in order to assist in covering the transactional costs of potentially selling CBA Ordinary Shares.</p>	5.2 Terms and definition of “VWAP”
<b>Maximum Exchange Number</b>	<p>The number of CBA Ordinary Shares that you will receive will not be greater than the Maximum Exchange Number, which is calculated according to the following formula:</p> $\text{Maximum Exchange Number} = \frac{\text{Face Value} \times \text{Issue Date Cross Rate}}{0.20 \times \text{Issue Date VWAP}}$ <p>Where:</p> <ul style="list-style-type: none"> <li>• The Issue Date VWAP is the relevant VWAP of CBA Ordinary Shares during the period of 20 Business Days on which trading in CBA Ordinary Shares took place immediately preceding (but not including) the Issue Date for ASB Notes, subject to adjustments (see “Adjustments to VWAP or Issue Date VWAP” below). It is intended to calculate a fair price of CBA Ordinary Shares which is used to calculate the Maximum Exchange Number.</li> <li>• The Issue Date Cross Rate means the average NZ\$/A\$ currency exchange rate during the 20 Business Day period immediately preceding (but excluding) the Issue Date, as determined in accordance with the Terms.</li> </ul>	5.2 Terms and definition of “VWAP”

Number of CBA Ordinary Shares received on Exchange		Further information
<p><b>Maximum Exchange Number – continued</b></p>	<p>Under this formula, multiplying the Issue Date VWAP by 0.20 has the effect that the Maximum Exchange Number will only apply if the CBA Ordinary Share price on the occurrence of a Non-Viability Trigger Event has declined by 80% or more compared with the Issue Date VWAP (assuming a constant Cross Rate).</p> <p>For example, based on a Holding of ASB Notes with a Face Value of NZ\$5,000 and if the Issue Date VWAP was A\$74.60 and the Issue Date Cross Rate was 0.92, the Maximum Exchange Number would be calculated as follows:</p> $\frac{5,000 \times 0.92}{(0.20 \times 74.60)}$ <p><b>= 308 CBA Ordinary Shares exchanged for ASB Notes with an aggregate Face Value of NZ\$5,000</b></p> <p>The Maximum Exchange Number may limit you to receiving a number of CBA Ordinary Shares with a value which is less than the Face Value.</p> <p>For example if the CBA Ordinary Share price on the occurrence of a Non Viability Trigger Event is A\$12, the maximum value of the CBA Ordinary Shares you will receive on Exchange for a Holding with a Face Value of NZ\$5,000 would be <b>A\$3,696</b> (being 308 CBA Ordinary Shares determined using the Maximum Exchange Number formula x the CBA Ordinary Share price on the occurrence of a Non-Viability Trigger Event).</p> <p>If you wish to sell the CBA Ordinary Shares and convert the sale proceeds to NZ Dollars, the prevailing exchange rate at conversion would determine the amount of NZ Dollars you would receive.</p>	
<p><b>Adjustments to VWAP or Issue Date VWAP</b></p>	<p>The VWAP, and consequently the Exchange Number, may be adjusted to reflect a reconstruction, consolidation, division or reclassification of CBA Ordinary Shares and any dividend, distribution or entitlement (which is reflected in the quotation price) as set out in the Terms.</p> <p>The Issue Date VWAP, and consequently the Maximum Exchange Number, may be adjusted to reflect a reconstruction, consolidation, division or reclassification of CBA Ordinary Shares and pro rata bonus issues as set out in the Terms (but not other transactions, including rights issues, which may affect the capital of CBA). However, no adjustment will be made to the Issue Date VWAP where that adjustment (rounded if applicable) would be less than one per cent of the Issue Date VWAP then in effect. Any adjustment will be notified to the Registry, NZX and the Holders.</p>	5.3 - 5.9 Terms

## 5.2 CBA Constitution

CBA is a registered company in Australia and is listed on ASX. The rights and liabilities attaching to CBA Ordinary Shares are set out in the CBA Constitution and are also regulated by the Australian Corporations Act, ASX Listing Rules and other applicable laws. CBA Ordinary Shares are not currently quoted on the NZX Main Board.

### 5.2.1 Rights attaching to CBA Ordinary Shares

CBA Ordinary Shares may be issued to Holders by way of Exchange. It is intended that CBA Ordinary Shares will continue to be quoted on ASX (including on the Exchange Date). CBA Ordinary Shares may also be issued to the Nominee to hold on trust for sale for a Holder's benefit if Exchange occurs and the Holder has notified the Registry that the Holder does not wish to receive CBA Ordinary Shares, the Holder is an Ineligible Holder or ASB has not received the relevant information to enable CBA Ordinary Shares to be issued to the Holder. Any CBA Ordinary Shares issued to Holders by way of Exchange will be fully paid and will rank equally with CBA Ordinary Shares already on issue in all respects.

### 5.2.2 Transfers

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

Unless otherwise required by law or the CBA Constitution, CBA is entitled to treat the registered holder as the absolute owner of a share. CBA 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 a CBA 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 CBA 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.

### 5.2.3 Dividends

Holders of CBA 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 CBA 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.

### 5.2.4 Winding up

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

### 5.2.5 Meetings

Holders of CBA Ordinary Shares are entitled to receive notice of, attend and, subject to the CBA 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 CBA Ordinary Share held.

### 5.2.6 Issue of further shares

The directors of CBA control the issue of shares. Subject to the Australian 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.

### 5.2.7 Restrictions of ownership of CBA 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 CBA Ordinary Shares.

Holders should take care to ensure that by acquiring any ASB Notes (taking into account any CBA Ordinary Shares into which they may Exchange), Holders do not breach any applicable restrictions on ownership.

## 5.3 Variation of CBA Constitution

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

## 5.4 Variation of rights

If CBA's share capital is divided into different classes of shares, under the CBA Constitution and subject to the Australian Corporations Act, the rights attached to CBA Ordinary Shares may, whether or not CBA is being wound up, be varied with the consent in writing of the holders of three-quarters of the issued CBA Ordinary Shares, or with the sanction of a special resolution passed at a separate meeting of the holders of CBA Ordinary Shares.

## 5.5 Applications and payment

The transfer of ASB Notes by Holders to ASB Holdings on the Exchange Date occurs immediately without the need for any further act or step by ASB, ASB Holdings, CBA, the Holder or any other person. No money is payable by Holders to CBA in respect of the issue and allotment to them of CBA Ordinary Shares on the Exchange Date. The Terms provide that each Holder consents to becoming a member of CBA upon the issuance of CBA Ordinary Shares and acknowledges and agrees that it is obliged to accept such CBA Ordinary Shares if it holds ASB Notes that are to be Exchanged.

## 5.6 Australian tax consequences of CBA Ordinary Shares acquired on Exchange

The information set out below relates solely to Australian taxation and does not constitute taxation advice to any Holder. The information is believed by ASB and CBA to be correct as at the date of this Investment Statement. Taxation laws are subject to change and such changes may materially affect your tax position with respect to an investment in ASB Notes. **You should seek qualified, independent financial and taxation advice before deciding to invest.** In particular, you should consult your tax adviser in relation to your specific circumstances.

Under Australian tax law, dividends paid on CBA Ordinary Shares by CBA should not be subject to Australian non-resident withholding tax to the extent the dividends are franked with Australian franking credits. To the extent an unfranked dividend is paid, withholding tax will be payable. For New Zealand resident Holders, the rate of withholding tax is 15% (because there is a double tax agreement between Australia and New Zealand).

New Zealand resident Holders should generally not be subject to Australian tax on any gain realised on disposal of their CBA Ordinary Shares (as CBA Ordinary Shares should generally not be "taxable Australian property").



# Section 6

## Glossary

Term	Meaning
<b>ABN</b>	Australian Business Number
<b>Additional Tier 1 Capital</b>	Securities recognised by the RBNZ or APRA as Tier 1 Capital (other than Common Equity Tier 1 Capital)
<b>Allocation</b>	The number of ASB Notes allocated under this Investment Statement to Applicants. Allocated has a corresponding meaning
<b>Annual Report 2013</b>	The annual report issued by ASB or CBA for the financial year ended 30 June 2013
<b>Applicant</b>	A person who lodges an Application Form in accordance with this Investment Statement
<b>Application</b>	A valid application for ASB Notes made through a completed Application Form in accordance with this Investment Statement
<b>Application Form</b>	A paper form attached to, or accompanying, this Investment Statement upon which an application for ASB Notes may be made
<b>Application Monies</b>	The amount payable on each Application, being the Face Value multiplied by the number of ASB Notes applied for
<b>APRA</b>	Australian Prudential Regulation Authority or any successor body responsible for prudential regulation of CBA
<b>Arrangers</b>	Commonwealth Bank of Australia and Goldman Sachs New Zealand Limited
<b>ASB</b>	ASB Bank Limited
<b>ASB Group</b>	ASB's financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993)
<b>ASB Holdings</b>	ASB Holdings Limited, the holding parent company of ASB Bank Limited which is owned by CBA
<b>ASB Non-Viability Trigger Event</b>	Occurs when: <ul style="list-style-type: none"> <li>• A direction is given, by notice in writing, to ASB by the RBNZ under section 113 of the Reserve Bank Act, on the basis that the financial position of ASB is such that it meets any grounds in subsections 113(1)(a) to (e) of the Reserve Bank Act, requiring ASB to convert or write down a class of capital instrument that include ASB Notes of a specified aggregate amount; or</li> <li>• ASB is made subject to statutory management under section 117 of the Reserve Bank Act and the statutory manager announces his or her decision to convert or write down a class of capital instruments that includes ASB Notes of a specified aggregate amount (by publication of a notice on ASB's website or other suitable public forum)</li> </ul>
<b>ASB Notes</b>	Unsecured, subordinated notes issued by ASB under the Deed Poll
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or the securities market operated by it as the context requires
<b>ASX Listing Rules</b>	The listing rules of ASX from time to time, with any applicable modification or waiver granted by ASX
<b>Australian Banking Act</b>	Banking Act 1959 (Cth)
<b>Australian Corporations Act</b>	Corporations Act 2001 (Cth)
<b>Board</b>	The board of directors of ASB or CBA acting as a board (as applicable)
<b>Bookbuild</b>	The process through which Syndicate Brokers and certain investors bid for an Allocation of ASB Notes at different proposed margin levels. The Margin will be set through the Bookbuild process
<b>Bookbuild Date</b>	24 March 2014

Term	Meaning
<b>Business Day</b>	A day which is: (a) a business day within the meaning of the NZX Listing Rules; and (b) for the purposes of calculation or payment of Interest, a day on which banks are open for general business in Auckland and Wellington; and (c) for the purposes of the definition of "Issue Date VWAP" and "VWAP Period" and clauses 4.3, 5.3, 5.7 and 5.11 of the Terms, a business day within the meaning of the ASX Listing Rules
<b>Call Option Date</b>	15 June 2019, being the Interest Payment Date falling five years after the Issue Date
<b>CBA</b>	Commonwealth Bank of Australia (ABN 48 123 123 124)
<b>CBA Constitution</b>	The Constitution of CBA as amended from time to time
<b>CBA Group</b>	CBA (or any NOHC that is a holding company of CBA) and its subsidiaries
<b>CBA Non-Viability Trigger Event</b>	Occurs when APRA notifies CBA in writing that it believes: <ul style="list-style-type: none"> <li>• an Exchange of all or some ASB Notes, or conversion or write down of capital instruments of the CBA Group is necessary because, without it, CBA would become non-viable; or</li> <li>• a public sector injection of capital, or equivalent support, is necessary because, without it, CBA would become non-viable</li> </ul>
<b>CBA Ordinary Share</b>	A fully paid ordinary share in the capital of CBA
<b>Closing Date</b>	The closing date for the Offer which is expected to be 15 April 2014
<b>Common Equity Tier 1 Capital</b>	Ordinary share capital, retained earnings plus certain other items recognised as capital by the RBNZ or APRA net of any required deductions
<b>Common Equity Tier 1 Capital Ratio</b>	Ratio of Common Equity Tier 1 Capital to risk-weighted assets
<b>Co-Ordination Agreement</b>	The co-ordination agreement dated on or about 14 March 2014 between ASB, ASB Holdings and CBA
<b>CSN</b>	Common Shareholder Number
<b>Deed Poll</b>	The Deed Poll dated on or about 14 March 2014 made by ASB under which ASB Notes are constituted
<b>Directors</b>	Some or all of the directors of ASB
<b>Event of Default</b>	Has the meaning given in clause 10.1 of the Terms
<b>Exchange</b>	The exchange of ASB Notes for CBA Ordinary Shares under the Terms. Exchangeable and Exchanged have corresponding meanings
<b>Exchange Date</b>	The date on which a Non-Viability Trigger Event occurs (subject to clauses 4.3(a) and 4.3(b) of the Terms)
<b>Exchange Number</b>	The number of CBA Ordinary Shares to be issued per ASB Note on Exchange as described in Section 5 " <i>Information about CBA Ordinary Shares if Exchange occurs</i> " under the section entitled " <i>Exchange Number</i> "
<b>Face Value</b>	NZ\$1 per ASB Note
<b>FATCA</b>	Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (or any consolidation, amendment, re-enactment or replacement of those sections and including any current or future regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those sections)
<b>Fitch</b>	Fitch Australia Pty Ltd
<b>5 Year Swap Rate</b>	The average of the bid and offered swap yields as displayed at or about 11:00am on the relevant date on Reuters Monitor Screen page "ICAPKIWISWAPI" (or its successor page) for an interest rate swap with a term equal to five years, or if the rate is unable to be determined in that manner, the average of the bid and offered swap rates quoted to ASB by three registered banks (or such one or more of them as are quoting) at or about 11:00am on the relevant date for an interest rate swap with a term equal to five years <b>(with the rate in each case adjusted for quarterly payments)</b>
<b>FMA</b>	Financial Markets Authority

Term	Meaning
Holder	A registered holder of ASB Notes
Holding	At any time after Allocation, the number of ASB Notes held by a Holder
Holding Statement	A statement issued to Holders by the Registry which sets out the number of ASB Notes Issued to that Holder
Ineligible Holder	Has the meaning given in clause 12.2 of the Terms
Interest	Interest payable on each ASB Note
Interest Payment Date(s)	15 March, 15 June, 15 September and 15 December each year until the Maturity Date, Redemption Date, Exchange Date or Write Down Date (each a <b>Scheduled Interest Payment Date</b> ), and also the Maturity Date and Redemption Date. If any of these Interest Payment Dates is not a Business Day, then the payment will be made on the next Business Day. If a payment is postponed until the next Business Day, there is no adjustment to the amount of Interest payable. The first Interest Payment Date will be 15 June 2014
Interest Period	Each period starting on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date. However: <ul style="list-style-type: none"> <li>(a) the first Interest Period starts on (and includes) the Issue Date; and</li> <li>(b) the final Interest Period ends on (but excludes) the Exchange Date or Redemption Date (as applicable)</li> </ul>
Interest Rate	The Interest Rate will be: <ul style="list-style-type: none"> <li>• until the Call Option Date, the sum of the Margin (determined under the Bookbuild) and the 5 Year Swap Rate on the Bookbuild Date; and</li> <li>• on and from the Call Option Date, the sum of the Margin (determined under the Bookbuild) and the 5 Year Swap Rate on the Call Option Date</li> </ul>
Investment Statement	This Investment Statement (whether in paper or electronic format) as supplemented or replaced
IRS	The United States Internal Revenue Service
Issue	The issue of ASB Notes to Holders. Issued has a corresponding meaning
Issue Date	The date ASB Notes are Issued which is expected to be 17 April 2014
Joint Lead Managers	ASB Securities Limited, Deutsche Craigs Limited, Forsyth Barr Limited, Goldman Sachs New Zealand Limited and Macquarie Capital (New Zealand) Limited
Margin	The margin for ASB Notes as determined by a Bookbuild process and announced by ASB on or before the Opening Date
Maturity Date	15 June 2024, being the Interest Payment Date falling 10 years after the Issue Date
Maximum Exchange Number	The maximum number of CBA Ordinary Shares to be issued per ASB Note on Exchange as described in Section 5 " <i>Information about CBA Ordinary Shares if Exchange occurs</i> " under the section entitled " <i>Maximum Exchange Number</i> "
Moody's	Moody's Investors Service Pty Limited
New Zealand Companies Act	Companies Act 1993 (NZ)
New Zealand Securities Act	Securities Act 1978 (NZ)
NOHC	A "non-operating holding company" within the meaning of the Australian Banking Act, being a non-operating holding company that replaces CBA as the ultimate parent company of the CBA Group.
NOHC Event	A <b>NOHC Event</b> occurs when the board of directors of CBA or a committee appointed by the board of directors of CBA initiates a restructure of CBA Group and a NOHC becomes the ultimate holding company of CBA and ASB
Nominee	A nominee appointed at any time on or from the Issue Date
Non-Viability Trigger Event	Means either an ASB Non-Viability Trigger Event or a CBA Non-Viability Trigger Event
NZClear System	The securities clearing and settlement facility operated by the Reserve Bank of New Zealand and known as the NZClear System

Term	Meaning
NZX	NZX Limited
NZX Debt Market	The New Zealand debt market operated by NZX
NZX Listing Rules	The Main Board/Debt Market listing rules of NZX from time to time, with any applicable modification, waiver or ruling granted by NZX
NZX Participant Rules	The participant rules of NZX
NZX Primary Market Participant	Has the meaning given to that term in the NZX Participant Rules
Offer	The offer made through this Investment Statement by ASB of ASB Notes to raise up to NZ\$300 million, with the ability to accept oversubscriptions of up to NZ\$100 million
Offer Period	The period from the Opening Date to the Closing Date
Opening Date	The opening date of the Offer which is 25 March 2014
Organising Participant	Goldman Sachs New Zealand Limited
RBNZ	Reserve Bank of New Zealand or any successor body responsible for prudential regulation of ASB
Record Date	(a) Subject to paragraph (b) below, the date that is ten calendar days before the relevant Interest Payment Date, Maturity Date, Redemption Date, or any other date which is subject to a Record Date; or (b) such other date determined by ASB in its absolute discretion, and communicated to the Registry and Holders and which is before the Record Date that would have applied under paragraph (a) above, or such other date as may be required by, or agreed with, NZX
Redemption	Has the same meaning as Repayment
Redemption Date	The date on which Repayment occurs
Register	The register of Holders maintained by the Registry on ASB's behalf
Registry	Computershare Investor Services Limited or any other person appointed by ASB to maintain the Register
Repayment	The repayment of all or some ASB Notes under the Terms. Repay and Repaid have corresponding meanings. In the Terms, "Repayment" is referred to as "Redemption"
Reserve Bank Act	Reserve Bank of New Zealand Act 1989
Scheduled Interest Payment Date	Has the meaning given in the definition of Interest Payment Date
Solvent	Satisfies the solvency test contained in section 4 of the New Zealand Companies Act
Special Resolution	Has the meaning given in clause 12.2 of the Terms
Standard & Poor's	Standard & Poor's (Australia) Pty Limited
statutory management	In relation to a registered bank, that it has been declared, on the recommendation of the RBNZ under the Reserve Bank Act, to be in "statutory management", which will mean, among other things, that a statutory manager assumes control of a registered bank
statutory manager	A person appointed as "statutory manager" on the recommendation of the RBNZ under the Reserve Bank Act to take over control of a registered bank
Syndicate Broker	Any of the Arrangers, Joint Lead Managers or NZX Primary Market Participants participating in the Offer
Terms	The terms of ASB Notes forming schedule 1 to the Deed Poll
Tier 1 Capital	In the case of ASB, the Tier 1 Capital of ASB, as defined by RBNZ from time to time, and in the case of CBA, the Tier 1 Capital of CBA on the relevant Level 1 or Level 2 basis, as defined by APRA from time to time
Tier 1 Capital Ratio	Ratio of Tier 1 Capital to risk-weighted assets

Term	Meaning
<b>Tier 2 Capital</b>	In the case of ASB, the Tier 2 Capital of ASB, as defined by RBNZ from time to time, and in the case of CBA, the Tier 2 Capital of CBA on the relevant Level 1 or Level 2 basis, as defined by APRA from time to time
<b>Total Capital</b>	Sum of Tier 1 Capital (including Common Equity Tier 1 Capital) and Tier 2 Capital
<b>Total Capital Ratio</b>	Ratio of Total Capital to risk-weighted assets
<b>VWAP</b>	The average of the daily volume weighted average prices of CBA Ordinary Shares traded on ASX during the relevant VWAP Period, subject to adjustments (as set out more fully in the Terms)
<b>VWAP Period</b>	<p>(a) In the case of the calculation of the Exchange Number, the period of 5 Business Days on which trading in CBA Ordinary Shares took place immediately preceding (but excluding) the day on which the Non-Viability Trigger Event occurred; or</p> <p>(b) in the case of the Issue Date VWAP, the period of 20 Business Days on which trading in CBA Ordinary Shares took place immediately preceding but excluding the Issue Date</p>
<b>Write Down Date</b>	Has the meaning given in clause 12.2 of the Terms

# Appendix

## Terms of ASB Notes

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# TERMS

## 1. FORM AND RANKING

### 1.1 Form

- (a) The Securities are subordinated, unsecured debt obligations of ASB constituted by the Deed Poll and issued in registered form by entry in the Register. The Securities are not deposit liabilities or protected accounts of CBA for the purposes of the Banking Act or deposit liabilities of ASB.
- (b) Each entry in the Register evidences a separate and independent obligation which ASB owes to the relevant Holder, which that Holder may enforce without joining any other Holder or any previous Holder.
- (c) No certificates, notices of registration or statements of holding in relation to the Securities will be issued to Holders unless ASB is required to provide certificates, notices of registration or statements of holding by any applicable law or the NZDX Listing Rules. Any such certificate, notice or statement will be in the form agreed between ASB and the Registry and will contain all information required by applicable law and the NZDX Listing Rules. A certificate, notice of registration or statement of holding in respect of a Security will not constitute a document of title. Entitlement will be determined solely by entry in the Register.

### 1.2 Face Value

Each Security is issued fully paid with the principal amount of NZ\$1.00.

### 1.3 Payment and ranking in a Liquidation of ASB

- (a) If 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 Liquidation of ASB, the Securities are, subject to this clause 1.3, immediately due and payable for an amount equal to the Face Value plus accrued but unpaid Interest up to (but excluding) the Commencement of Liquidation.
- (b) Except for certain debts that are required to be preferred by applicable laws, each Security shall rank for payment in a Liquidation of ASB:
  - (i) after the claims of all holders of Senior Ranking Obligations;
  - (ii) equally among themselves and with Equal Ranking Securities; and
  - (iii) ahead of all Junior Ranking Securities.
- (c) In a Liquidation of ASB, payments on each Security are subject to:
  - (i) all holders of Senior Ranking Obligations being paid in full before the Holder's claim is paid; and
  - (ii) Holders of Securities and holders of any Equal Ranking Securities being paid on a pro-rata basis.
- (d) Each Holder irrevocably acknowledges and agrees that:
  - (i) in accordance with section 313(3) of the Companies Act, he or she is accepting a lower priority in relation to the debt represented by each Security than that which it would otherwise have under section 313 of the Companies Act;

- (ii) nothing in sections 310 or 313 of the Companies Act will prevent these Terms from having effect in accordance with their terms;
  - (iii) the subordination set out in this clause 1.3 is not affected by any act or omission of ASB, or of any holder of Senior Ranking Obligations, which might otherwise affect the Holder at law or in equity;
  - (iv) the Holder must not exercise its voting rights as an unsecured creditor in the Liquidation or voluntary administration of ASB in respect of the Securities to defeat the subordination in this clause 1.3; and
  - (v) the Holder does not have any right to prove in a Liquidation of ASB in respect of the Securities except as permitted by clauses 1.3(b) and (c).
- (e) For the avoidance of doubt but subject to clause 4.3(a), if a Non-Viability Trigger Event has occurred, Holders will rank in a winding up of CBA as holders of the number of CBA Ordinary Shares to which they became entitled under clause 5.1.

### 1.4 Other issues

Nothing in these Terms shall be construed or deemed to limit the ability of ASB to issue further Senior Ranking Obligations or Equal Ranking Securities.

### 1.5 No set-off

To the maximum extent permitted by applicable law, none of ASB, any 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 Securities nor shall any Holder be entitled to effect any reduction of the amount due to such Holder by merger of accounts, lien or the exercise of any other right the effect of which is, or may be, to reduce the amount due in respect of a Security.

### 1.6 Solvency condition to payment of Face Value and Interest

- (a) Prior to Liquidation the obligations of ASB to make any payment in respect of the Securities (other than payments in accordance with clause 3.1) will be conditional upon ASB being able to make such payment and remain Solvent and the ASB Group being Solvent immediately after such payment is made ("**Solvency Condition**").
- (b) Any amount not paid on account of the Solvency Condition does not cause an Event of Default and remains as a debt owing by ASB to the relevant Holders which is payable on the first Business Day on which the amount may be paid in compliance with the Solvency Condition. Interest which is subject to this clause earns interest in accordance with clause 2.4.
- (c) A certificate signed by ASB, two authorised signatories of ASB, its auditor or, if ASB is in Liquidation, its liquidator, as to whether the Solvency Condition is met at any time is (in the absence of wilful default, bad faith or manifest error) conclusive evidence of the information contained in the certificate and will be binding on the Holders. In the absence of such a certificate, Holders are entitled to assume (unless the contrary is proved) that the Solvency Condition is met.



## 2. INTEREST

### 2.1 Interest

- (a) Each Security bears interest (“**Interest**”) on its Face Value during each Interest Period from (and including) the Issue Date to (but excluding) the Maturity Date or Redemption Date, at the Interest Rate.
- (b) Subject to clause 1.6, Interest is payable in arrear on each Interest Payment Date.
- (c) No Interest accrues on the Securities required to be Exchanged 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).

### 2.2 Interest Rate determination

The Interest Rate (expressed as a percentage per annum) for each Interest Period will be the sum of the Market Rate plus the Margin, where:

“**Market Rate**” means:

- (a) for each Interest Period that ends before or on (but excluding) the Call Option Date, the average of the bid and offered swap yields as displayed at or about 11:00am on the Bookbuild Date on Reuters Monitor Screen page “ICAPKIWISWAPI” (or its successor page) for an interest rate swap with a term equal to five years, or if the rate is unable to be determined in that manner, the average of the bid and offered swap rates quoted to ASB by three registered banks (or such one or more of them as are quoting) at or about 11:00am on the Bookbuild Date for an interest rate swap with a term equal to five years (with the rate in each case adjusted for quarterly payments); and
- (b) for each Interest Period that commences on or after the Call Option Date, the average of the bid and offered swap yields as displayed at or about 11:00am on the Call Option Date on Reuters Monitor Screen page “ICAPKIWISWAPI” (or its successor page) for an interest rate swap with a term equal to five years, or if the rate is unable to be determined in that manner, the average of the bid and offered swap rates quoted to ASB by three registered banks (or such one or more of them as are quoting) at or about 11:00am on the Call Option Date for an interest rate swap with a term equal to five years (with the rate in each case adjusted for quarterly payments); and

“**Margin**” means the rate (expressed as a percentage per annum) determined under the Bookbuild.

### 2.3 Calculation of Interest

The amount of Interest payable on each Security for each Interest Period:

- (a) that is not a Partial Interest Period is calculated according to the following formula:

$$\text{Interest Payable} = \frac{\text{Interest Rate} \times \text{Face Value}}{4}$$

- (b) that is a Partial Interest Period is calculated in accordance with the following formula:

$$\text{Interest Payable} = \frac{\text{Interest Rate} \times \text{Face Value} \times N}{365}$$

Where:

**N** means, in respect of a Partial Interest Period, the number of days in that Partial Interest Period.

### 2.4 Accrual of Interest

If any Interest which is due and payable is not paid for any reason, then such unpaid Interest earns interest at the Interest Rate, which accrues daily at the Interest Rate until paid. Such accrued interest is payable on the first to occur of:

- (a) the date on which the relevant unpaid Interest amount is paid; and
- (b) the date on which the Securities are Redeemed.

### 2.5 Calculations

For the purposes of any calculations required under these Terms:

- (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005% being rounded up to 0.00001%);
- (b) all figures will be rounded to four decimal places (with 0.00005 being rounded up to 0.0001); and
- (c) all amounts that are due and payable will be rounded to the nearest one New Zealand cent (with one half of a New Zealand cent being rounded up to one New Zealand cent).

### 2.6 Notification of Interest Rate, Interest and other amounts

- (a) ASB must notify the Registry and NZX of the Interest Rate, amount of Interest payable and Interest Payment Date for each Interest Period.
- (b) ASB must give notice under this clause as soon as practicable after it makes its calculations and by no later than the fourth Business Day of the relevant Interest Period.
- (c) ASB may amend its calculation or determination of any date, rate or amount (or make appropriate alternative arrangements by way of adjustment) including as a result of the extension or reduction of the Interest Period without prior notice but must notify the Registry and NZX promptly after doing so.

### 2.7 Determinations final

ASB's determination of all dates, rates and amounts, under these Terms is, in the absence of wilful default, bad faith or manifest error, final and binding on the Registry and each Holder.

## 3. REDEMPTION AND EARLY REDEMPTION

### 3.1 Redemption on the Maturity Date

Each Security will be Redeemed on the Maturity Date for its Face Value unless previously Redeemed, Exchanged or Written Down.

### 3.2 Redemption at the option of ASB

- (a) Subject to clauses 1.6 and 3.5, ASB may, on an Optional Redemption Date, having given not less than 20 Business Days' nor more than 60 Business Days' prior irrevocable notice to the Holders (with a copy to the Registry), Redeem all or some of the Securities for their Face Value together with any accrued but unpaid Interest as at the Optional Redemption Date.
- (b) In the case of a Redemption of some but not all of the Securities, the Securities to be Redeemed will be specified in the notice and selected:

- (i) in a manner that is, in the opinion of ASB, fair and reasonable; and
- (ii) in compliance with any applicable law, directive or requirement of NZX.

*Holders should not expect that RBNZ's and APRA's approval will be given for any Redemption of the Securities.*

### 3.3 Redemption for taxation reasons

Subject to clauses 1.6 and 3.5, if, at any time after the Issue Date, ASB receives an opinion from reputable legal counsel or other tax adviser in New Zealand, experienced in such matters, to the effect that there is a material risk that:

- (a) any interest payable on Securities is not, or will not be, allowed as a deduction for the purposes of New Zealand income tax; or
- (b) ASB or the consolidated tax group of which it is a member would be exposed to any other more than de minimis adverse tax consequence in relation to the Securities,

in each case as a result of a change in law or interpretation of law that in either case has occurred or will occur, other than where ASB expected such event as at the Issue Date, then ASB may Redeem all (but not some) of those Securities for their Face Value together with any accrued but unpaid Interest as at the Redemption Date.

However, ASB may only Redeem the Securities under this clause 3.3 if:

- (c) ASB has given notice of its election to do so at least 20 Business Days (and no more than 60 Business Days) before the proposed Redemption Date specified in the notice to the Registry and the Holders;
- (d) the proposed Redemption Date is a Scheduled Interest Payment Date; and
- (e) the notice of Redemption is not given earlier than 60 Business Days before the Interest Payment Date occurring immediately before the earliest date on which ASB would be subject to the adverse tax consequence.

*Holders should not expect that RBNZ's and APRA's approval will be given for any Redemption of the Securities.*

### 3.4 Redemption for regulatory reasons

Subject to clauses 1.6 and 3.5, if, at any time after the Issue Date:

- (a) ASB determines that all, some or a proportion of all or some Securities are not or will not be treated as Tier 2 Capital of the ASB Group under RBNZ's prudential standards (as amended from time to time), as a result of a change in RBNZ's prudential standards or treatment under RBNZ's prudential standards that in either case has occurred or will occur, other than as a result of a change of treatment that ASB expected as at the Issue Date; or
- (b) ASB receives notice in writing from CBA to the effect that CBA has determined that all, some or a proportion of all or some 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 limit on the treatment of the Securities as Tier 2 Capital of the CBA Group in effect on the Issue Date or as a result of a change of treatment that CBA expected as at the Issue Date,

then ASB may Redeem all (but not some) of those Securities for their Face Value together with any accrued but unpaid Interest as at the Redemption Date.

However, ASB may only Redeem the Securities under this clause if:

- (c) ASB has given notice of its election to do so at least 20 Business Days (and no more than 60 Business Days) before the proposed Redemption Date specified in the notice to the Registry and the Holders;
- (d) the proposed Redemption Date is a Scheduled Interest Payment Date; and
- (e) the notice of Redemption is not given earlier than 60 Business Days before the Interest Payment Date occurring immediately before the earliest date on which all, some or a proportion of all or some of the Securities will cease to be treated as Tier 2 Capital of the ASB Group or the CBA Group (as applicable).

*Holders should not expect that RBNZ's and APRA's approval will be given for any Redemption of the Securities.*

### 3.5 RBNZ and APRA approval required to Redeem

ASB may only elect to Redeem Securities under clauses 3.2, 3.3 or 3.4 if:

- (a) ASB either:
  - (i) before or concurrently with the Redemption, replaces the Securities with a capital instrument which is of the same or better quality (for the purposes of RBNZ's and APRA's prudential standards as they are applied to the ASB Group and CBA Group at the relevant time) and the replacement is done under conditions that are sustainable for the income capacity of the ASB Group and CBA Group; or
  - (ii) obtains confirmation:
    - (aa) from RBNZ that RBNZ is satisfied, having regard to the capital position of the ASB Group; and
    - (bb) from APRA that APRA is satisfied, having regard to the capital position of the CBA Group,

that ASB does not have to replace the Securities; and

- (b) RBNZ and APRA have given prior written approval for the Redemption. Approval is at the discretion of RBNZ and APRA and may or may not be given.

## 4. EXCHANGE UPON THE OCCURRENCE OF A NON-VIABILITY TRIGGER EVENT

### 4.1 Non-Viability Trigger Event

- (a) If a Non-Viability Trigger Event occurs, ASB must Exchange such number of Securities as is equal (when added to any exchange, conversion or write down of Relevant Securities as referred to in clauses 4.1(b)(i)(aa) and (bb) or clauses 4.1(b)(ii)(aa) and (bb)) to the aggregate face value of capital instruments which RBNZ or APRA (as applicable) has notified ASB or CBA (as applicable), or the statutory manager of ASB has decided, must be exchanged, converted or written down (or, if RBNZ or APRA (as applicable) has not so notified ASB or CBA (as applicable), such number as is necessary to satisfy RBNZ or APRA (as applicable) that ASB or CBA (as applicable) will no longer be non-viable).
- (b) In determining the number of Securities which must be Exchanged in accordance with this clause:
  - (i) in the case of an ASB Non-Viability Trigger Event, ASB will:

- (aa) 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 Securities;
- (bb) secondly, exchange, convert or write down the face value of any Relevant Tier 2 Securities whose terms require or permit them to be exchanged, converted or written down before Exchange of the Securities; and
- (cc) thirdly, if exchange, conversion or write down of those securities is not sufficient, Exchange (in the case of the 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 manner that is otherwise, in the opinion of ASB, fair and reasonable, the 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 ASB in consultation with CBA (where applicable) may determine to take into account the effect on marketable parcels and whole numbers of CBA Ordinary Shares and any Securities or other Relevant Tier 2 Securities remaining on issue) and for the purposes of the foregoing, where the specified currency of the principal amount of Relevant Tier 2 Securities is not the same for all Relevant Tier 2 Securities, ASB in consultation with CBA (where applicable) may treat them as if converted into New Zealand dollars at a rate of exchange determined on a consistent basis to the Cross Rate in clause 5.2(a),

but such determination will not impede the immediate Exchange of the relevant number of Securities.

- (ii) in the case of a CBA Non-Viability Trigger Event, ASB will and will procure that CBA will (as applicable):
  - (aa) 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 Securities;
  - (bb) secondly, exchange, convert or write down the face value of any Relevant Tier 2 Securities whose terms require or permit them to be exchanged, converted or written down before Exchange of the Securities; and
  - (cc) thirdly, if exchange, conversion or write down of those securities is not sufficient, Exchange (in the case of the 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 manner that is otherwise, in the opinion of ASB and CBA, fair and reasonable, the 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 ASB and CBA may determine to take into account the effect on marketable parcels and whole numbers of CBA Ordinary Shares and any Securities or other Relevant Tier 2 Securities remaining on issue) and for the purposes of the foregoing, where the specified currency of the principal amount of

Relevant Tier 2 Securities is not the same for all Relevant Tier 2 Securities, ASB in consultation with CBA (where applicable) may treat them as if converted into New Zealand dollars at a rate of exchange determined on a consistent basis to the Cross Rate in clause 5.2(a),

but such determination will not impede the immediate Exchange of the relevant number of Securities.

## 4.2 Automatic Exchange upon the occurrence of a Non-Viability Trigger Event

- (a) If a Non-Viability Trigger Event occurs then, subject to clauses 4.3 and 5.1:
  - (i) Exchange of the relevant Security will occur in accordance with clause 5 immediately upon the date of the occurrence of the Non-Viability Trigger Event; and
  - (ii) the entry of the relevant Security in each relevant Holder's holding in the Register immediately prior to Exchange occurring will constitute an entitlement of that Holder to the relevant number of CBA Ordinary Shares (and, if applicable, also to any remaining balance of Securities), and CBA in accordance with the Co-Ordination Agreement will recognise the Holder as having been issued the relevant CBA Ordinary Shares for all purposes,

in each case without the need for any further act or step by ASB, ASBH, CBA, the Holder or any other person.

For the avoidance of doubt, nothing in these Terms allows a payment to be made by ASB or CBA to a Holder upon Exchange, other than a payment to ASBH in accordance with the Co-Ordination Agreement of the aggregate Face Value of Securities if Securities have been transferred to it in accordance with clause 5.1(a).

- (b) If a Non-Viability Trigger Event occurs:
  - (i) ASB must give notice as soon as practicable that Exchange has occurred to the Registry, NZX and the Holders;
  - (ii) the notice must specify the date on which Exchange occurred; and
  - (iii) the notice must specify the details of the Exchange process, including any details which were taken into account in relation to the effect on marketable parcels, whole numbers of CBA Ordinary Shares and different currencies, and the impact on any Securities remaining on issue.
- (c) Failure to undertake any of the matters described in clause 4.2(b) does not prevent, invalidate or otherwise impede any Exchange Step.
- (d) Each of the Exchange Steps is independent of the other, and not conditional on the other occurring.

## 4.3 No further rights if Exchange cannot occur

- (a) If, for any reason, Exchange of any Security required to be Exchanged under clause 4.2 fails to take effect and CBA is not otherwise able to issue the CBA Ordinary Shares required to be issued in respect of such Exchange within 5 Business Days after the date of the occurrence of the Non-Viability Trigger Event, then the relevant Holder's rights in relation to such Security (including to be issued CBA Ordinary Shares on Exchange and to payment of Interest and the Face Value) are immediately and irrevocably terminated (also known as Written Down).

(b) If, for any reason, Exchange of any Security required to be Exchanged under clause 4.2 fails to take effect because the Exchange Step in clause 5.1(a) fails to occur and the Security is not otherwise able to be transferred to ASBH in accordance with clause 5.1(a) within 5 Business Days after the date of the occurrence of the Non-Viability Trigger Event, then the relevant Holder's rights in relation to such Security (including to be issued CBA Ordinary Shares on Exchange if not already issued and to payment of Interest and the Face Value) are immediately and irrevocably terminated (also known as Written Down). Securities will not be Exchanged, Redeemed or resold under these Terms on any subsequent date.

(c) In this clause 4.3:

- (i) neither sub-clause (a) nor (b) above limits the other;
- (ii) a reference to a Holder's rights in relation to a Security at a particular time means the rights a Holder has under these Terms and the Co-Ordination Agreement after taking into account the effect of any Exchange Step that has occurred;
- (iii) a reference to a Holder does not include ASBH if the relevant Security has been transferred to it in accordance with clause 5.1(a); and
- (iv) if a Security is required to be Exchanged, then from the date of the Non-Viability Trigger Event all rights of the relevant Holder in relation to the Security are suspended.

## 5. GENERAL PROVISIONS APPLICABLE TO EXCHANGE

### 5.1 Exchange

On the Exchange Date, subject to clauses 4.3 and 5.1:

- (a) each Security that is required to be Exchanged shall be automatically and immediately transferred to ASBH free of any encumbrance and the transfer shall be irrevocable; and
- (b) CBA will immediately issue the Exchange Number of CBA Ordinary Shares to the relevant Holders or the Nominee (as applicable) in accordance with the Co-Ordination Agreement in respect of each Security that is required to be Exchanged.

### 5.2 Exchange Number

- (a) The Exchange Number is calculated according to the following formula, and subject always to the Exchange Number being no greater than the Maximum Exchange Number:

$$\text{Exchange Number for each Security} = \frac{\text{Face Value} \times \text{Cross Rate}}{0.99 \times \text{VWAP}}$$

Where:

**"Cross Rate"** (expressed as a currency exchange rate) means the average rate at which NZ\$1.00 would purchase or sell Australian dollars, as displayed at or about 2:00pm on the Bloomberg screen page NZDAUD NZFF CRNCY (or its successor page) during the 5 Business Day period immediately preceding (but excluding) the Exchange Date;

**"VWAP"** (expressed in Australian dollars and Australian cents) means the VWAP during the relevant VWAP Period;

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

$$\text{Maximum Exchange Number} = \frac{\text{Face Value} \times \text{Issue Date Cross Rate}}{0.20 \times \text{Issue Date VWAP}}$$

**"Issue Date Cross Rate"** (expressed as a currency exchange rate) means the average rate at which NZ\$1.00 would purchase or sell Australian dollars, as displayed at or about 2:00pm on the Bloomberg screen page NZDAUD NZFF CRNCY (or its successor page) during the 20 Business Day period immediately preceding (but excluding) the Issue Date; and

**"Issue Date VWAP"** (expressed in Australian dollars and Australian cents) has the meaning given in clause 12.2; and

- (b) if the total number of additional CBA Ordinary Shares to be issued in respect of a Holder's aggregate holding of Securities includes a fraction of an Ordinary Share, that fraction of a CBA Ordinary Share will be disregarded.

### 5.3 Adjustments to VWAP generally

For the purposes of calculating the VWAP under clause 5.2:

- (a) where, on some or all of the Business Days in the relevant VWAP Period, CBA Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and Securities will be Exchanged for CBA Ordinary Shares after that date and those CBA Ordinary Shares will no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those CBA Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement will be reduced by an amount ("**Cum Value**") equal to:
  - (i) in the case of a dividend or other distribution, the amount of that dividend or other distribution;
  - (ii) in the case of any other entitlement that is not a dividend or other distribution under clause 5.3(a)(i) which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the relevant VWAP Period on the Business Days on which those entitlements were traded (excluding trades of the kind that would be excluded in determining VWAP under the definition of that term); or
  - (iii) in the case of any other entitlement which is not traded on ASX during the relevant VWAP Period, the value of the entitlement as reasonably determined by the CBA Board and notified in writing to ASB by CBA; and

- (b) where, on some or all of the Business Days in the relevant VWAP Period, CBA Ordinary Shares have been quoted as ex dividend or ex any other distribution or entitlement, and Securities will be Exchanged for CBA Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those CBA Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement will be increased by the Cum Value.

### 5.4 Adjustments to VWAP for capital reconstruction

- (a) Where, during the relevant VWAP Period, there is a change to the number of CBA Ordinary Shares on issue because the CBA Ordinary Shares are reconstructed, consolidated, divided or reclassified (not involving any cash payment or other distribution to or by the holders of CBA Ordinary Shares) ("**Reclassification**") into a lesser or greater number, the daily

VWAP for each day in the relevant VWAP Period which falls before the date on which trading in CBA Ordinary Shares is conducted on a post Reclassification basis will be adjusted by the following formula:

$$\frac{A}{B}$$

Where:

- A** means the aggregate number of CBA Ordinary Shares immediately before the Reclassification; and
- B** means the aggregate number of CBA Ordinary Shares immediately after the Reclassification.

- (b) Any adjustment made by ASB in accordance with clause 5.4(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly.
- (c) For the avoidance of doubt, nothing in this clause allows a payment, or any other compensation, to be made to or by a Holder as part of a Reclassification or as a result of a Reclassification.

### 5.5 Adjustments to Issue Date VWAP generally

For the purposes of determining the Issue Date VWAP under clause 5.2, adjustments will be made in accordance with clause 5.3 and clause 5.4 during the relevant VWAP Period. On and from the Issue Date, adjustments to the Issue Date VWAP:

- (a) may be made by ASB in accordance with clauses 5.6 to 5.8 (inclusive);
- (b) if so made, will correspondingly cause an adjustment to the Maximum Exchange Number; and
- (c) if so made, will be effective and binding on Holders under these Terms and these Terms will be construed accordingly.

### 5.6 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to clauses 5.6(b) and 5.6(c), if CBA makes a pro-rata bonus issue of CBA Ordinary Shares to holders of CBA Ordinary Shares generally, the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

$$V = V_o \times RD / (RD + RN)$$

Where:

- V** means the Issue Date VWAP applying immediately after the application of this formula;
- V<sub>o</sub>** means the Issue Date VWAP applying immediately prior to the application of this formula;
- RD** means the number of CBA Ordinary Shares on issue immediately prior to the allotment of new CBA Ordinary Shares pursuant to the bonus issue; and
- RN** means the number of CBA Ordinary Shares issued pursuant to the bonus issue.

- (b) Clause 5.6(a) does not apply to CBA Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- (c) For the purposes of this clause, an issue will be regarded as a bonus issue notwithstanding that CBA does not make offers to some or all holders of CBA Ordinary Shares with registered addresses outside Australia (or to whom an offer is otherwise subject to foreign securities laws), provided that in so doing CBA is not in contravention of the ASX Listing Rules.

### 5.7 Adjustments to Issue Date VWAP for capital reconstruction

If, at any time after the Issue Date, there is a change to the number of CBA Ordinary Shares on issue because of a Reclassification into a lesser or greater number, the Issue Date VWAP will be adjusted by multiplying the Issue Date VWAP applicable on the Business Day immediately before the date of any such Reclassification by the following formula:

$$\frac{A}{B}$$

Where:

- A** means the aggregate number of CBA Ordinary Shares on issue immediately before the Reclassification; and
- B** means the aggregate number of CBA Ordinary Shares on issue immediately after the Reclassification.

### 5.8 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of clauses 5.6 and 5.7, no adjustment will be made to the Issue Date VWAP where any such adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect.

### 5.9 Announcement of adjustments to Issue Date VWAP

ASB will notify any adjustment to the Issue Date VWAP under clauses 5.5 to 5.7 (inclusive) to the Registry, NZX and the Holders within 10 Business Days of ASB determining the adjustment (or such earlier period as is required by the NZDX Listing Rules) and the adjustment will be final and binding.

### 5.10 Status and listing of CBA Ordinary Shares

- (a) CBA Ordinary Shares issued in accordance with clause 5.1(b) are issued to the relevant Holder fully paid in consideration of the transfer of, or where clause 4.3(b) or clause 5.11(b) applies, the termination of the relevant Holder's rights in respect of the relevant Security and will rank equally with all other fully paid CBA Ordinary Shares provided that the rights attaching to those CBA Ordinary Shares do not take effect until 5:00pm (Sydney time) on the Exchange Date (or such other time required by the RBNZ and APRA).
- (b) ASB will procure that CBA will use all reasonable endeavours to list the CBA Ordinary Shares issued in accordance with clause 5.1(b) on ASX.

### 5.11 Exchange where the Holder does not wish to receive CBA Ordinary Shares or is an Ineligible Holder

- (a) If Securities of a Holder are required to be Exchanged and:
  - (i) the Holder has notified the Registry that it does not wish to receive CBA Ordinary Shares in respect of all or part of its holding of Securities as a result of Exchange, which notice may be given at any time on or after the Issue Date and prior to the Exchange Date;
  - (ii) the Holder is an Ineligible Holder; or
  - (iii) ASB has not received (for any reason whether or not due to the fault of that Holder) any information required by it in accordance with these Terms so as to impede CBA issuing the CBA Ordinary Shares to a Holder on the Exchange Date,

then, on the Exchange Date, ASB will procure that CBA will issue the Exchange Number of CBA Ordinary Shares to a nominee (which nominee may not be ASB, CBA or a Related Entity of ASB or CBA and may be appointed at any time on or from the Issue Date) ("**Nominee**") for no additional consideration to hold on trust for sale for the benefit of the relevant Holder (unless, because the Holder is an Ineligible Holder, the Nominee is deemed to be an Ineligible Holder, in which case such issue shall occur as soon as practicable after the Nominee ceases to be an Ineligible Holder). At the first opportunity to sell the CBA Ordinary Shares, the Nominee will arrange for their sale and pay the proceeds less its selling costs to the relevant Holder.

- (b) Without limiting clause 4.3, if, for any reason Exchange of any Security required to be Exchanged under clause 4.2 fails to take effect and CBA is not otherwise able to issue the CBA Ordinary Shares required to be issued in respect of such Exchange to the Nominee within 5 Business Days after the date of the occurrence of the Non-Viability Trigger Event, then the relevant Holder's rights in relation to such Security (including to be issued CBA Ordinary Shares on Exchange and to payment of Interest and the Face Value) are immediately and irrevocably terminated (also known as Written Down). In this clause 5.11(b), a reference to a Holder's rights in relation to a Security at a particular time means the rights a Holder has under these Terms and the Co-Ordination Agreement after taking into account the effect of any Exchange Step that has occurred.

## 5.12 Holder Acknowledgments

Each Holder irrevocably:

- (a) consents to becoming a member of CBA upon CBA issuing CBA Ordinary Shares to it in accordance with clause 5.1(b) and agrees to be bound by the constitution of CBA;
- (b) acknowledges and agrees that it is obliged to accept CBA Ordinary Shares if it holds Securities that are required to be Exchanged as and when required by clauses 4 and 5 notwithstanding anything that might otherwise affect Exchange including:
- (i) any change in the financial position of CBA since the issue of such Securities;
  - (ii) any disruption to the market or potential market for the CBA Ordinary Shares or to capital markets generally;
  - (iii) any breach by ASB or CBA of any obligation in connection with the Securities; or
  - (iv) any failure to or delay in exchange, conversion or write down of other Relevant Securities;
- (c) acknowledges and agrees that:
- (i) it will not have any rights to vote in respect of any Exchange or Write Down;
  - (ii) it has no claim against ASB or CBA for any loss it may suffer arising in connection with any Exchange, any Exchange Step not occurring, or Write Down; and
  - (iii) it has no rights to compensation from, or any other remedies against, CBA, ASB or any other member of the CBA Group on account of the failure of CBA to issue CBA Ordinary Shares if CBA is for any reason prevented from doing so;
- (d) acknowledges and agrees that it has no right to request Exchange or to determine whether (or in what circumstances) the Securities it holds are Exchanged;

- (e) acknowledges that if it creates or permits to subsist any encumbrance over any Securities, that encumbrance takes effect subject to these Terms and the Co-Ordination Agreement and the secured party will be taken to have authorised the dealing constituted by the Exchange for the purposes of section 45(1) of the Personal Property Securities Act 1999 (NZ); and
- (f) acknowledges and agrees that any information held by ASB in relation to the Holder and in connection with the Securities may be shared with any other member of the CBA Group for any purpose in connection with the Securities, including in relation to the issue and holding of CBA Ordinary Shares.

## 6. TITLE AND TRANSFER OF SECURITIES

### 6.1 Effect of entries in Register

Each entry in the Register of a person as a Holder constitutes:

- (a) conclusive evidence of that person's:
- (i) absolute ownership of that Security; and
  - (ii) entitlement to the other benefits given to Holders under the Deed Poll in respect of Securities; and
- (b) an undertaking by ASB to pay Interest and any other amount in accordance with these Terms,

subject to correction of the Register for fraud or error.

### 6.2 Non-recognition of interests

Except as required by law or as ordered by a court of competent jurisdiction, ASB and the Registry must treat the person whose name is entered in the Register as a Holder as the absolute beneficial owner of that Security. This clause applies despite any notice of ownership, trust, encumbrance or interest in that Security. No recognition of any trust, encumbrance or interest shall be entered on the Register.

### 6.3 Joint holders

Where two or more persons are entered in the Register as joint Holders, they are taken to hold that Security as joint tenants with rights of survivorship and subject to the terms of the Deed Poll but the Registry is not bound to register more than three persons as joint Holders of any Security.

### 6.4 Transfers

- (a) Without prejudice to clause 6.4(b), a Holder may transfer Securities:
- (i) by means of any system declared to be a designated settlement system under section 156N of the Reserve Bank Act;
  - (ii) by a transfer in any commonly used form which must be delivered to the Registry with any evidence the Registry reasonably requires to prove title to or the right to transfer Securities; or
  - (iii) by any other method of transfer of marketable securities that is not contrary to any applicable law and that may be operated in accordance with the NZDX Listing Rules and that is approved by ASB.
- (b) A Security that is required to be Exchanged is transferred in accordance with clause 5.1(a) without any act or consent of the relevant Holder being required.
- (c) Subject to clause 4.2, title to Securities passes when details of the transferee are entered in the Register.

- (d) A Security may be transferred in whole but not in part. No transfer of any part of a Holder's holding may, subject to clause 4, be effected if such transfer would result in the transferor or the transferee holding or continuing to hold Securities of less than the Minimum Holding.
- (e) ASB must comply with the NZDX Listing Rules and any applicable law in relation to the transfer of the Securities.
- (f) ASB must not charge any fee on the transfer of Securities.
- (g) The Holder is responsible for any stamp duty, taxes and other governmental charges which are payable in any jurisdiction in connection with a transfer, assignment or other dealing with the Securities.
- (h) Upon registration and entry of the transferee in the Register, the transferor ceases to be entitled to future benefits under the Deed Poll in respect of the transferred Securities.
- (i) Subject to the NZDX Listing Rules and any applicable law, ASB may determine that transfers of some or all Securities will not be registered during any period reasonably specified by it prior to the Exchange Date or Redemption Date of such Securities.

## 6.5 Refusal to register

ASB will procure that the Registry will only refuse to register a transfer of Securities if permitted by, or if such registration would contravene or is forbidden by, the NZDX Listing Rules, any applicable law or these Terms. If the Registry refuses to register a transfer, ASB must procure the Registry to give the lodging party notice of the refusal and the reasons for it within 5 Business Days after the date on which the transfer was delivered to the Registry.

## 6.6 Transmission

A person becoming entitled to a Security as a consequence of the death, bankruptcy, liquidation or a winding-up of a Holder or of a vesting order by a court or other body with power to make the order, or a person administering the estate of a Holder, may, upon providing evidence as to that entitlement or status, and if ASB so requires an indemnity in relation to the correctness of such evidence, as ASB considers sufficient, become registered as the Holder of that Security.

## 6.7 Selling restrictions

- (a) Each Holder shall only offer for sale or sell any Security in conformity with all applicable laws and regulations in any jurisdiction in which it is offered, sold or delivered.
- (b) Neither the Investment Statement nor any advertisement or other offering material in respect of any Security may be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations.
- (c) Each Holder shall indemnify ASB in respect of any loss incurred as a result of that Holder breaching subclause (a) or (b) above.

## 7. PAYMENTS

### 7.1 Payments to registered Holder

- (a) Subject to subclause (d) below, payment of Interest and repayment of Face Value in respect of a Security will be made to the person registered on the Record Date as the Holder.
- (b) Payment of any other amount in accordance with these Terms will be made to the person registered as the Holder on the relevant date for payment.

- (c) A payment to any one of joint Holders will discharge ASB's liability in respect of the payment.
- (d) Notwithstanding subclause (a) above, Interest payable on the first Interest Payment Date will be made to the first Holder of a Security, regardless of any transfer of that Security prior to the first Interest Payment Date.
- (e) For the avoidance of doubt, nothing in these Terms allows a payment to a Holder in a form other than cash, other than a payment to ASBH in accordance with the Co-Ordination Agreement if Securities have been transferred to it in accordance with clause 5.1(a).

## 7.2 Payments subject to law

All payments are subject to applicable law.

## 7.3 Payments on Business Days

If any payment:

- (a) is due on a day which is not a Business Day, then the due date for payment will be the next Business Day; or
- (b) is to be made to an account on a Business Day on which banks are not open for general banking business in the place in which the account is located, then the due date for payment will be the next day on which banks are open for general banking business in that place.

No additional amount is payable in respect of any delay in payment.

## 7.4 Payments to accounts

Monies payable by ASB to a Holder may be paid by crediting a New Zealand dollar bank account maintained in New Zealand with a financial institution and nominated in writing by the Holder by close of business on the relevant Record Date or in any other manner ASB decides.

## 7.5 Unsuccessful attempts to pay

- (a) If the Holder has not notified the Registry of a bank account for the purposes of payment under clause 7.4 or the transfer of any amount does not complete for any reason (other than an error made by or on behalf of ASB), ASB will be treated as having paid the amount ("**unclaimed money**") on the date on which it would otherwise have made the payment.
- (b) ASB will send a notice to the registered address of the Holder advising of the unsuccessful payment and the unclaimed money will be held on deposit in a non-interest bearing bank account maintained by ASB or the Registry until the Holder nominates a New Zealand dollar bank account maintained in New Zealand for crediting with the unclaimed money (or nominates a new bank account as the case may be) or the unclaimed money is forfeited under clause 11.1.
- (c) No additional amount is payable in respect of any delay in payment.

## 8. TAXATION, AND WITHHOLDINGS AND DEDUCTIONS

### 8.1 General

All payments in respect of Securities must be made free and clear of, and without any withholding or deduction in respect of, taxes, unless the withholding or deduction is required by law or permitted by clauses 8.2, 8.3, 8.4 or 8.5.

## 8.2 New Zealand non-resident withholding tax

- (a) Subject to clause 8.2(b), New Zealand non-resident withholding tax will be deducted from payments of Interest (or payments deemed by the Income Tax Act 2007 to be interest) to a Holder (including, if applicable, any other person who beneficially derives Interest under the relevant Security):
- (i) who is not a New Zealand resident for tax purposes (as defined in section YA 1 of the Income Tax Act 2007); and
  - (ii) who is not engaged in business in New Zealand through a fixed establishment in New Zealand (as defined in section YA 1 of the Income Tax Act 2007); and
  - (iii) who does not derive the Interest jointly with one or more person, where, in either case, one or more of whom are resident in New Zealand or carrying on business in New Zealand through a fixed establishment in New Zealand.
- (b) Notwithstanding the above:
- (i) where the Security meets the requirements of section 861B of the Stamp and Cheque Duties Act 1971, and provided that any other requirements for the lawful payment of Approved Issuer Levy at a rate of zero percent are satisfied, ASB will make payments of Interest (or deemed interest) to such a Holder without any deduction on account of New Zealand non-resident withholding tax or Approved Issuer Levy; and
  - (ii) where clause 8.2(b)(i) does not apply and where ASB is lawfully able to pay Approved Issuer Levy in respect of any payment of Interest (or deemed interest) to such a Holder, then, unless requested otherwise by such Holder in writing and agreed to by ASB (or the Registry on its behalf), ASB (or the Registry on its behalf):
    - (aa) must pay the Approved Issuer Levy to the appropriate governmental authority; and
    - (bb) may recover the amount of Approved Issuer Levy paid by deducting the amount from the Interest (or deemed interest) payable to that Holder.

## 8.3 New Zealand resident withholding tax

New Zealand resident withholding tax will be deducted from payments of Interest (or payments deemed by the Income Tax Act 2007 to be interest) to a Holder (including, if applicable, any other person who beneficially derives Interest under the relevant Security) who is or is deemed to be a tax resident in New Zealand or who is engaged in business in New Zealand through a fixed establishment in New Zealand, unless the Holder establishes to the satisfaction of ASB (or the Registry on its behalf) that no such tax need be deducted by means of production of a current certificate of exemption from resident withholding tax or otherwise at least 10 Business Days prior to the relevant Record Date for the relevant payment of Interest.

## 8.4 Deductions and withholdings

- (a) If ASB is to make any deduction or withholding on account of New Zealand withholding taxes from any payment to a Holder (including, if applicable, any other person who beneficially derives Interest under the relevant Security) as stated in clauses 8.2 or 8.3, it must make the deduction or withholding at the highest rate applicable unless the Holder establishes to ASB (and ASB accepts) that a lesser rate is appropriate.
- (b) ASB is not required to, and will not, make any additional payment by way of gross-up or otherwise with respect to the deduction or withholding from any payment made in respect

of the Security under clauses 8.2 or 8.3. If, in respect of any Security and for whatever reason, ASB or the Registry becomes liable to make any payment of, or on account of, tax payable by any Holder (including, if applicable, any other person who beneficially derives Interest under the relevant Security), then the relevant Holder will indemnify ASB and the Registry in respect of that liability. Any moneys paid by ASB or the Registry in respect of the liability may be recovered from the Holder as a debt due to ASB or the Registry and may be withheld from any further payments to that Holder. Nothing in this clause 8.4(b) limits or affects any other right or remedy of ASB or the Registry.

- (c) ASB and the Registry are entitled, for the purposes of clauses 8.2 and 8.3, to rely solely upon any evidence produced or statement made by (or on behalf of) a Holder in relation to that Holder's tax status or tax residency, and to regard the Holders entered in the Register as the only beneficial owners of, or the only persons who beneficially derive Interest under, the relevant Security. Neither ASB nor the Registry is obliged to take any action or make any adjustments on account of any withholdings or deductions already made as a result of any change or alteration of a Holder's tax status or tax residency previously notified to, or assumed by, ASB and the Registry.

## 8.5 FATCA

- (a) ASB, in its absolute discretion, may withhold or deduct payments to a Holder where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Holder or a beneficial owner of Securities may be subject to FATCA, and may deal with such payment and the Holder's Securities in accordance with FATCA. If any withholding or deduction arises under or in connection with FATCA, ASB will not be required to pay any further amounts on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder or a beneficial owner of Securities for or in respect of any such withholding or deduction.
- (b) Each Holder will, within 10 Business Days of request by ASB, supply to ASB such forms, documentation and other information relating to its status under FATCA as ASB reasonably requests for the purposes of ASB's compliance with FATCA.

## 9. SUBSTITUTION OF CBA

**9.1** ASB may, without the consent of Holders, substitute for CBA a NOHC as the issuer of the ordinary shares to be issued on the occurrence of a Non-Viability Trigger Event ("**Successor**") by giving notice to the Registry and NZX, provided that:

- (a) on the occurrence of a Non-Viability Trigger Event, the Successor or another entity (which is a parent entity or operating holding company) subscribes for CBA Ordinary Shares or other capital instruments acceptable to APRA in such amount as may be necessary, or takes other steps acceptable to APRA to ensure that the capital position of the CBA Level 2 Group will not be adversely affected;
- (b) on the occurrence of a Non-Viability Trigger Event, the Successor or that other entity subscribes for fully paid ordinary shares in ASB or other capital instruments acceptable to RBNZ in such amount as may be necessary, or takes other steps acceptable to RBNZ to ensure that the capital position of ASB will not be adversely affected;
- (c) the Successor will expressly assume CBA's obligations under the Co-Ordination Agreement including to deliver fully paid ordinary shares in its capital under all circumstances when



CBA would otherwise have been required to deliver CBA Ordinary Shares, subject to the same terms and conditions as set out in these Terms (with all necessary modifications);

- (d) ASB enters into a deed poll amending the Deed Poll to reflect the substitution of the Successor for CBA, which amendments can be made without the assent, approval or authority of the Holders;
- (e) the Successor's ordinary shares are or are to be quoted on ASX, and the Successor agrees to use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of ordinary shares issued pursuant to these Terms on the securities exchanges on which the Successor's ordinary shares are quoted at the time of delivery;
- (f) the Successor, ASB and CBA have obtained all necessary authorisations, regulatory and governmental approvals and consents (including from RBNZ and APRA) for such substitution and for the performance by the Successor of its obligations under the Co-Ordination Agreement in relation to the Securities and the documents effecting substitution;
- (g) if the Successor does not have a place of business in each of New Zealand and New South Wales, the Successor has appointed a process agent in each of New Zealand and New South Wales to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Co-Ordination Agreement;
- (h) the Successor has, in the reasonable opinion of ASB, the financial capacity to satisfy its obligations under the Co-Ordination Agreement; and
- (i) ASB must use all reasonable endeavours to give an irrevocable notice to the Holders as soon as practicable before a NOHC Event occurs but no later than 10 Business Days before the NOHC Event occurs specifying the amendments to the Securities which will be made under these Terms to effect substitution of a NOHC as issuer of ordinary shares on Exchange.

## 9.2 Effect of Substitution

Upon the requirements set out in clause 9.1 having been completed ("**Date of Substitution**"), on and from the Date of Substitution:

- (a) if ASB gives a notice to Holders under clause 9.1(i), the amended Terms will have effect on and from the date specified in the notice; and
- (b) references to CBA in the Deed Poll will be taken to be references to the Successor.

## 10. EVENTS OF DEFAULT

### 10.1 Events of Default

An Event of Default occurs:

- (a) if ASB fails to pay any amount due in respect of the Securities and such default continues for a period of 15 Business Days and is continuing, provided that no Event of Default shall arise on account of any non-payment if ASB withholds, deducts from or refuses to make the payment:
  - (i) in order to comply with any law or regulation (including, without limitation, regulations issued by RBNZ or APRA) or with the order of any court of competent jurisdiction, in each case applicable to such payment; or

- (ii) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given to ASB as to such validity or applicability, at any time during the said period of 15 Business Days, by independent legal advisers; or

(b) on the Commencement of Liquidation.

### 10.2 Notification

If an Event of Default occurs, ASB will, promptly after becoming aware of it, notify the Registry and Holders of the occurrence of the Event of Default.

### 10.3 Remedies for an Event of Default

If an Event of Default occurs:

- (a) under clause 10.1(a), any Holder may institute proceedings:
  - (i) to recover the amount ASB has failed to pay, provided that ASB may only be compelled to pay that amount to the extent that, immediately after the payment, ASB would remain Solvent;
  - (ii) for specific performance of any other obligation in respect of the Security; or
  - (iii) for the Liquidation; or
- (b) under clause 10.1(b), any Holder may, subject to clause 1.3, prove in the Liquidation in respect of the Face Value together with any accrued but unpaid Interest up to (but excluding) the Commencement of Liquidation.

A 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 as set out in this clause 10.3.

## 11. GENERAL

### 11.1 Time limit for claims

If unclaimed money is not claimed within five years after its due date:

- (a) it is taken to be forfeited to ASB for ASB's benefit and shall no longer be treated as unclaimed money; and
- (b) the person who otherwise would have been entitled to it is entitled to receive payment only of an amount equal to the amount forfeited if the person produces evidence which satisfies ASB (in its absolute discretion) that the person would have been entitled to receive that payment if the unclaimed money had not been forfeited.

### 11.2 Meetings of Holders

The Deed Poll contains provisions for convening meetings of Holders to consider matters affecting their interests including certain variations of these Terms which require the Holder's consent. Resolutions passed in accordance with such provisions will be binding on all Holders.

### 11.3 Amendment of the Terms without consent

At any time, but subject to compliance with all applicable laws and clause 11.5, ASB may by deed poll, without the consent of Holders, amend the Deed Poll, if ASB is of the opinion that such alteration is:

- (a) of a formal, technical or minor nature;
- (b) made to cure any ambiguity, correct any manifest error or correct or supplement any defective provision of these Terms or amend any provision of the Deed Poll;

- (c) necessary or expedient for the purposes of enabling a substitution of a Successor in accordance with clause 9 including, where the terms on which the NOHC acquires CBA are such that the number of its ordinary shares on issue immediately after its substitution differs from the number of CBA Ordinary Shares on issue before that substitution, an adjustment to any relevant VWAP or Issue Date VWAP consistent with the principles of adjustment set out in clauses 5.3 to 5.8 (inclusive);
- (d) made to amend any date or time period stated, required or permitted in connection with any Redemption or Exchange (including, without limitation, when the proceeds of Redemption are to be reinvested in a new security to be issued by ASB or a Related Entity); or
- (e) not materially prejudicial to the interests of Holders as a whole and ASB has obtained an opinion of reputable legal counsel in New Zealand that it is not materially prejudicial to the interests of Holders as a whole;
- (f) made to enable the Securities to be listed for quotation, or to retain quotation, on any securities exchange or to be offered for subscription or sale under the laws for the time being in force in any place; or
- (g) made to comply with the provisions of any statute, the requirements of any statutory authority, the NZDX Listing Rules, or the listing or quotation requirements of any securities exchange on which ASB may propose to seek a listing or quotation of the Securities.

The Terms of all Securities will be amended from the date specified by ASB.

#### 11.4 Amendment of the Terms with consent

Subject to clause 11.5 and without limiting clause 11.3, ASB may by deed poll amend the Deed Poll if such alteration is approved by a Special Resolution. The Terms of all Securities will be amended from the date specified in the Special Resolution or otherwise notified to Holders (provided such date is permitted by the terms of the Special Resolution).

#### 11.5 Required consents

Any amendments are subject to notice of non-objection by RBNZ and/or approval by APRA (where any amendments may affect the eligibility of the Securities as Tier 2 Capital) and any consent or approval required under any applicable law, regulation or NZDX Listing Rule.

#### 11.6 Amendment of the Co-Ordination Agreement

Subject to a notice of non-objection from RBNZ and/or approval by APRA (where any amendment may affect the eligibility of the Securities as Tier 2 Capital), ASB may amend the Co-Ordination Agreement without the consent of Holders.

#### 11.7 Payment of Interest and Redemption following Exchange

Nothing in clauses 1.5, 1.6 and 3 applies to Securities that have been Exchanged and the accrual and payment of interest on and redemption of such Securities will be determined in accordance with the terms set out in the Co-Ordination Agreement.

#### 11.8 Rights of ASB

If ASB is declared subject to statutory management pursuant to section 117 of the Reserve Bank Act, ASB shall have the right to require the Exchange of Securities in accordance with these Terms.

### 11.9 Notices

#### (a) To Holders

Subject to clause 4.2(b), all notices and other communications to Holders must be in writing and either (i) sent by prepaid post (airmail if appropriate) to or left at the address of the Holders (as shown in the Register at the close of business on the day which is 3 Business Days before the date of the notice or communication) or (ii) in relation to a Security quoted on the NZX Debt Market or another stock exchange, by announcement on that stock exchange. An accidental or inadvertent failure to give notice to a particular Holder will not invalidate a notice otherwise properly given to Holders.

#### (b) To ASB and Registry

Subject to clause 4.2(b), all notices and other communications by a Holder to ASB or Registry must be in writing and (i) sent by email or (ii) sent by prepaid post (airmail if appropriate) to or left at the address of ASB or the Registry (in each case, as shown in the "Corporate Directory" in the Investment Statement), or to such other address or email address as ASB or the Registry notifies the Holders as its address or email address (as the case may be) for notices or other communications from time to time.

#### (c) When effective

Subject to clause 4.2(b), notices and other communications take effect from the time they are taken to be received unless a later time is specified in them.

#### (d) Receipt

- (i) If sent by email, notices or other communications are taken to be received at the time they are sent, as evidenced by the electronic time stamp on the relevant email;
- (ii) If sent by post, notices or other communications are taken to be received 3 Business Days after posting (or 5 Business Days after posting if sent to or from a place outside New Zealand);
- (iii) If left at the address, notices or other communications are taken to be received when given unless received after 5:00pm in the place of receipt or on a non-working day, in which case they are taken to be received at 9:00am on the next working day; and
- (iv) Notices given to Holders by being announced on the NZX Debt Market or other stock exchange are taken to be received on the date on which they are announced.

### 11.10 Governing law

- (a) Subject to clause 11.10(b), these Terms are governed by and must be construed according to the law applying in New Zealand.
- (b) Notwithstanding clause 11.10(a), clauses 4 and 5 are governed by and must be construed according to the law in force in New South Wales, Australia.

### 11.11 Jurisdiction

- (a) ASB irrevocably submits, and each Holder is taken to irrevocably submit, to the non-exclusive jurisdiction of the courts of New Zealand and the courts competent to determine appeals from those courts, with respect to any proceedings which may be brought at any time relating to the Deed Poll.

(b) In addition, ASB irrevocably submits, and each Holder is taken to irrevocably submit, to the non-exclusive jurisdiction of the courts of New South Wales, Australia and the courts competent to determine appeals from those courts, with respect to any proceedings which may be brought at any time relating to clauses 4 and 5.

### 11.12 Waiver of objection

ASB irrevocably waives, and each Holder is taken irrevocably to waive, any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 11.11.

### 11.13 Ability to trade

ASB, CBA or any of their respective Related Entities may, with RBNZ's and APRA's prior written approval, at any time buy or sell Securities in the open market, by tender to all or some of the Holders, by private agreement or in any other manner, at any price.

### 11.14 Benefit

(a) Clause 6.4(b) is intended to confer a benefit on, and may be enforced by, ASBH under the Contracts (Privity) Act 1982.

Clause 11.3 is intended to confer a benefit on, and may be enforced by, CBA under the Contracts (Privity) Act 1982.

(b) ASB declares that it holds the benefit of clauses 4 and 5 on trust for itself, CBA and ASBH, with the intent that CBA and ASBH (as the case may be) have the benefit of, and be entitled to enforce, these provisions as if named as a party to the Deed Poll.

## 12. INTERPRETATION AND DEFINITIONS

### 12.1 Interpretation

In these Terms, unless the contrary intention appears:

(a) a reference to:

- (i) these Terms is a reference to these Terms as supplemented, modified or altered in accordance with these Terms;
- (ii) an agreement or instrument includes any variation, supplement, replacement or novation of that agreement or instrument;
- (iii) a person includes a reference to the person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;
- (iv) any thing is a reference to the whole and each part of it;
- (v) one gender includes every other gender;
- (vi) a document includes all schedules or annexes to it;
- (vii) a clause or paragraph is to a clause or paragraph of these Terms; and
- (viii) a statute, ordinance, code, rule, directive or law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

(b) the singular includes the plural and vice versa;

(c) the word "encumbrance" means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security

arrangement (including any security interest under the Personal Property Securities Act 1999 (NZ)) and any other arrangement of any kind having the same effect as any of the foregoing other than liens arising by operation of law;

(d) the word "person" includes a firm, body corporate, an unincorporated association, a governmental or local authority or agency, or other entity;

(e) the word "law" includes common law, principles of equity and laws made by parliament (including regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);

(f) the word "regulation" in clause 10.1(a) includes conditions of registration and prudential regulatory requirements;

(g) the word "tax" includes any present or future liability for tax (whether direct or indirect), any impost, duty, deduction or withholding of any nature and whatever called (including, for the avoidance of doubt, Approved Issuer Levy), imposed or levied by any governmental authority, together with any cost, interest, penalty, fee or other amount imposed or made on, or in relation to, or as a result of any of the foregoing;

(h) any reference to a time is to New Zealand time;

(i) headings are inserted for convenience and do not affect the interpretation of these Terms;

(j) another grammatical form of a defined word or expression has a corresponding meaning;

(k) if an event under these Terms must occur on a stipulated day which is not a Business Day, then, for an event other than a Non-Viability Trigger Event and Exchange, the stipulated day will be taken to be the next Business Day, unless a contrary intention is expressed;

(l) the meaning of general words is not limited by specific examples introduced by "including", "for example" or similar expressions;

(m) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;

(n) any provisions which refer to:

- (i) RBNZ's requirements or any other prudential regulatory requirements will apply to ASB only if ASB is an entity, or the holding company of an entity, or is a direct or indirect subsidiary of an entity subject to regulation and supervision by RBNZ at the relevant time; and
- (ii) APRA requirements or any other prudential regulatory requirements will apply to CBA only if CBA is an entity, or the holding company of an entity, or is a direct or indirect subsidiary of an entity (including a NOHC) subject to regulation and supervision by APRA at the relevant time;

(o) any provisions which require RBNZ's or APRA's consent or approval (written or otherwise) will apply only if RBNZ or APRA (as applicable) requires that such consent or approval be given at the relevant time;

(p) any provision in these Terms requiring prior RBNZ or APRA approval for a particular course of action to be taken by ASB or CBA do not imply that RBNZ or APRA (as applicable) has given its consent or approval to the particular action as at the Issue Date;

- (q) a reference to a term defined by the NZDX Listing Rules or ASX Listing Rules shall, if that term is replaced in those rules, be taken to be a reference to the replacement term;
- (r) if the principal securities exchange on which CBA Ordinary Shares are listed becomes other than ASX, unless the context otherwise requires a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules or any term defined in any such rules, shall be read as a reference to the corresponding rules of that exchange; and
- (s) so long as the Securities are quoted on the NZX Debt Market, these Terms are to be interpreted in a manner consistent with the NZDX Listing Rules except to the extent that an interpretation consistent with those rules would affect the eligibility of the Securities as Tier 2 Capital.

## 12.2 Definitions

In these Terms, unless the contrary intention appears:

**“Approved Issuer Levy”** means, in relation to any payment of interest (as defined in section 86F of the Stamp and Cheque Duties Act 1971) under any Security, the levy payable by ASB in accordance with section 86J of the Stamp and Cheque Duties Act 1971.

**“APRA”** means the Australian Prudential Regulation Authority (ABN 79 635 582 658) or any successor body responsible for prudential regulation of CBA.

**“ASB”** means ASB Bank Limited.

**“ASB Group”** has the meaning given to “banking group” in ASB’s conditions of registration (as amended from time to time).

**“ASBH”** means ASB Holdings Limited.

**“ASB Non-Viability Trigger Event”** means:

- (a) A direction is given, by notice in writing, to ASB by RBNZ under section 113 of the Reserve Bank Act, on the basis that the financial position of ASB is such that it meets any grounds in sections 113(1)(a) to (e) of the Reserve Bank Act, requiring ASB to convert or write down a class of capital instruments that includes the Securities of a specified aggregate amount; or
- (b) ASB is made subject to statutory management pursuant to section 117 of the Reserve Bank Act and the statutory manager announces his or her decision to convert or write down a class of capital instruments that includes the Securities of a specified aggregate amount (by publication of a notice on ASB’s website or other suitable public forum).

**“ASX”** means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires.

**“ASX Listing Rules”** means the listing rules of ASX from time to time with any applicable modification or waiver granted by ASX.

**“Australian dollar”, “A\$” and “Australian cent”** means the lawful currency of the Commonwealth of Australia.

**“Banking Act”** means the Banking Act 1959 (Cth).

**“Bookbuild”** means the process conducted before the Offer opens where brokers and investors bid for Securities and, on the basis of those bids, ASB sets the Margin.

**“Bookbuild Date”** means 24 March 2014, being the date on which the Bookbuild occurs.

**“Business Day”** means a day which is:

- (a) a business day within the meaning of the NZDX Listing Rules;

- (b) for the purposes of calculation or payment of Interest, a day on which banks are open for general business in Auckland and Wellington; and

- (c) for the purposes of the definition of “Issue Date VWAP” and “VWAP Period” and clauses 4.3, 5.3, 5.7 and 5.11, a business day within the meaning of the ASX Listing Rules.

**“Call Option Date”** means the Interest Payment Date falling five years after the Issue Date.

**“CBA”** means Commonwealth Bank of Australia (ABN 48 123 123 124).

**“CBA Board”** means either the board of directors of CBA or a committee appointed by the board of directors of CBA.

**“CBA Group”** means CBA (or any NOHC that is a holding company of CBA) and its Subsidiaries.

**“CBA Level 2 Group”** means CBA and each Subsidiary that is recognised by APRA as part of CBA’s Level 2 group in accordance with APRA’s prudential standards (as amended from time to time).

**“CBA Non-Viability Trigger Event”** means when APRA notifies CBA in writing that it believes:

- (a) an Exchange of all or some Securities, or conversion or write down of capital instruments of the CBA Group, is necessary because, without it, CBA would become non-viable; or
- (b) a public sector injection of capital, or equivalent support, is necessary because, without it, CBA would become non-viable.

**“CBA Ordinary Share”** means a fully paid ordinary share in the capital of CBA.

**“Commencement of Liquidation”** means, in respect of ASB, the commencement of Liquidation under:

- (a) section 241(5) or section 317 of the Companies Act; or
- (b) under any other legislation under which ASB will irrevocably cease to be duly incorporated or to validly exist in New Zealand.

**“Companies Act”** means the Companies Act 1993 (NZ).

**“Co-Ordination Agreement”** means the agreement dated on or about 14 March 2014 between ASB, ASBH and CBA.

**“Corporations Act”** means the Corporations Act 2001 (Cth).

**“Date of Substitution”** has the meaning given in clause 9.2.

**“Deed Poll”** means the Deed Poll dated on or about 14 March 2014 made by ASB in favour of each person who is from time to time a Holder.

**“Equal Ranking Securities”** means all securities which qualify as Tier 2 Capital or which rank or are expressed to rank equally with such securities in a Liquidation of ASB, present and future.

**“Event of Default”** has the meaning given in clause 10.1.

**“Exchange”** means, in relation to a Security, the completion of the Exchange Steps and **“Exchanged”** has a corresponding meaning.

**“Exchange Date”** means, subject to clauses 4.3(a) and 4.3(b), the date of the occurrence of the Non-Viability Trigger Event.

**“Exchange Steps”** means, in relation to a Security:

- (a) the transfer of the Security to ASBH in accordance with clause 5.1(a); and
- (b) the issue by CBA to the relevant Holder or the Nominee (as applicable) of the Exchange Number of CBA Ordinary Shares in accordance with clause 5.1(b) or 5.11 (as applicable) and the Co-Ordination Agreement.

**"Exchange Number"** has the meaning given in clause 5.2.

**"Face Value"** means NZ\$1.00 per Security.

**"FATCA"** means Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (or any consolidation, amendment, re-enactment or replacement of those sections and including any current or future regulations or official interpretations issued, agreements entered into or non-US laws enacted in relation to those sections).

**"Foreign Holder"** means:

- (a) a Holder whose address in the Register is a place outside Australia or New Zealand; or
- (b) a Holder in respect of whom ASB receives written notice from CBA to the effect that CBA believes that that Holder may not be a resident of Australia or New Zealand and CBA is not satisfied that the laws of the country in which CBA believes the Holder is resident permit the offer of CBA Ordinary Shares to, or holding or acquisition of CBA Ordinary Shares by, the Holder (but neither ASB or CBA will be bound to enquire into those laws), either unconditionally or after compliance with conditions which CBA, in its absolute discretion, regards as acceptable and not unduly onerous.

**"Holder"** means a person whose name is for the time being recorded in the Register as the owner of a Security (except where otherwise specified in the Deed Poll).

**"Ineligible Holder"** means a Holder who is prohibited or restricted by any applicable law or regulation in force in Australia (including but not limited to Chapter 6 of the Corporations Act, the Foreign Acquisitions and Takeovers Act 1975 (Cth), the Financial Sector (Shareholdings) Act 1998 (Cth) and Part IV of the Competition and Consumer Act 2010) from being offered, holding or acquiring CBA Ordinary Shares (provided that if the relevant prohibition or restriction only applies to the Holder in respect of some of its Securities, it shall only be treated as an Ineligible Holder in respect of those Securities and not in respect of the balance of its Securities), and includes a Foreign Holder. ASB will be entitled to treat a Holder as not being an Ineligible Holder unless the Holder has otherwise notified the Registry after the Issue Date and prior to the Exchange Date.

**"Interest"** means interest payable on Securities under these Terms.

**"Interest Payment Date"** means, in respect of each Security, 15 March, 15 June, 15 September and 15 December each year until the Maturity Date, Redemption Date, Exchange Date or Write Down Date (each a **"Scheduled Interest Payment Date"**), and also the Maturity Date and Redemption Date. If any of these Interest Payment Dates is not a Business Day, then the payment will be made in accordance with clause 7.3.

**"Interest Period"** means, in relation to a Security, each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date. However:

- (a) the first Interest Period commences on (and includes) the Issue Date; and
- (b) the final Interest Period ends on (but excludes) the Maturity Date or Redemption Date, as applicable.

**"Interest Rate"** has the meaning given in clause 2.2.

**"Investment Statement"** means the investment statement relating to the Offer dated on or about 17 March 2014.

**"Issue Date"** means the date of issue of the Securities as recorded in the Register.

**"Issue Date VWAP"** means the VWAP during the period of 20 Business Days on which trading in CBA Ordinary Shares took place immediately preceding but excluding the Issue Date, as adjusted in accordance with clauses 5.5 to 5.8.

**"Junior Ranking Securities"** means:

- (a) all securities which qualify as Tier 1 Capital or which rank or are expressed to rank equally with such securities in a Liquidation of ASB, present and future; and
- (b) all shares of ASB (including ordinary and preference shares), present and future.

**"Level 1"** and **"Level 2"** each has the meaning given to that term by APRA from time to time.

**"Liquidation"** means the liquidation, winding up or dissolution of ASB otherwise than for the purpose of, and followed by, an amalgamation or solvent reconstruction.

**"Margin"** has the meaning given in clause 2.2.

**"Market Rate"** has the meaning given in clause 2.2.

**"Maturity Date"** means the Interest Payment Date falling 10 years after the Issue Date.

**"Maximum Exchange Number"** has the meaning given in clause 5.2.

**"Meeting Provisions"** means the provisions for the convening of meetings of, and passing of resolutions by, Holders set out in Schedule 2 of the Deed Poll.

**"Minimum Holding"** means Securities with an aggregate Face Value of NZ\$5,000 and thereafter multiples of NZ\$1,000.

**"New Zealand dollars", "NZ\$", "NZD" or "New Zealand cent"** means the lawful currency of New Zealand.

**"NOHC"** means a "non-operating holding company" within the meaning of the Banking Act.

**"NOHC Event"** occurs when the CBA Board initiates a restructure of CBA Group and a NOHC becomes the ultimate holding company of CBA and ASB.

**"Nominee"** has the meaning given in clause 5.11.

**"Non-Viability Trigger Event"** means:

- (a) an ASB Non-Viability Trigger Event; or
- (b) a CBA Non-Viability Trigger Event.

**"NZDX Listing Rules"** means the Main Board/Debt Market Listing Rules of NZX from time to time with any applicable modification, waiver or ruling granted by NZX.

**"NZX"** means NZX Limited.

**"NZX Debt Market"** means the New Zealand debt market operated by NZX.

**"Offer"** means the invitation by ASB in the Investment Statement to subscribe for Securities.

**"Opening Date"** means 25 March 2014 or such other date as is specified in the Investment Statement.

**"Optional Redemption Date"** means any Scheduled Interest Payment Date on or after the Call Option Date.

**"Partial Interest Period"** means an Interest Period that either commences on (and includes) or ends on (but excludes) a date that is not a Scheduled Interest Payment Date.

**"RBNZ"** means the Reserve Bank of New Zealand or any successor body responsible for prudential regulation of ASB.

**"Reclassification"** has the meaning given in clause 5.4(a).

**"Record Date"** means:

- (a) subject to paragraph (b) below, the date that is ten calendar days prior to the relevant Interest Payment Date, Maturity Date, Redemption Date, or any other date which is subject to a Record Date; or
  - (b) such other date determined by ASB in its absolute discretion and communicated to the Registry and Holders and which is before the Record Date which would have been determined under paragraph (a) above,
- or such other date as may be required by, or agreed with, NZX.

**"Redemption"** means the redemption of all or some Securities under these Terms and **"Redeem"** and **"Redeemed"** have corresponding meanings.

**"Redemption Date"** means, in respect of each Security, the date specified by ASB as the Redemption Date in accordance with clause 3.

**"Register"** means the register of Holders maintained by the Registry in physical or electronic form.

**"Registry"** means Computershare Investor Services Limited or any other person appointed by ASB to maintain the Register.

**"Related Entity"**:

- (a) in relation to ASB, has the meaning given to "related party" by RBNZ from time to time; and
- (b) in relation to CBA, has the meaning given by APRA from time to time.

**"Relevant Security"** means a Relevant Tier 1 Security and a Relevant Tier 2 Security.

**"Relevant Tier 1 Security"** means:

- (a) in the case of ASB and an ASB Non-Viability Trigger Event, a security forming part of the Tier 1 Capital of ASB; and
- (b) in the case of CBA and a CBA Non-Viability Trigger Event, a security forming part of the Tier 1 Capital of CBA on a Level 1 basis or Level 2 basis.

**"Relevant Tier 2 Security"** means:

- (a) in the case of ASB and an ASB Non-Viability Trigger Event, a security forming part of the Tier 2 Capital of ASB; and
- (b) in the case of CBA and a CBA Non-Viability Trigger Event, a security forming part of the Tier 2 Capital of CBA on a Level 1 basis or Level 2 basis.

**"Reserve Bank Act"** means the Reserve Bank of New Zealand Act 1989 (NZ).

**"Scheduled Interest Payment Date"** has the meaning given in the definition of Interest Payment Date.

**"Security"** means a subordinated debt security issued in accordance with, and subject to, the Deed Poll.

**"Senior Ranking Obligations"** means all deposits and other liabilities, securities and other obligations of ASB other than Equal Ranking Securities or Junior Ranking Securities.

**"Solvent"** means satisfying the solvency test contained in section 4 of the Companies Act and **"Insolvent"** shall be construed accordingly. In interpreting this definition it shall be applied to the ASB Group as if the ASB Group was a single entity and due account will be taken of the ability and willingness of the members of the ASB Group to meet the debts of other members of the ASB Group.

**"Special Resolution"** means:

- (a) a resolution passed at a meeting of Holders duly convened and held under the Meeting Provisions:
  - (i) by at least 75% of Holders voting on a show of hands (unless paragraph (b) below applies); or
  - (ii) if a poll is duly demanded, by at least 75% of the votes cast; or
- (b) a resolution passed by postal ballot or written resolution by Holders of at least 75% of the aggregate Face Value of Securities then outstanding.

**"Subsidiary"** has the meaning given in the Corporations Act.

**"Successor"** has the meaning given in clause 9.

**"Terms"** means these terms and conditions of the Securities as set out in Schedule 1 of the Deed Poll.

**"Tier 1 Capital"** means:

- (a) in the case of ASB, the Tier 1 Capital of ASB, as defined by RBNZ from time to time; and
- (b) in the case of CBA, the Tier 1 Capital of CBA on the relevant Level 1 or Level 2 basis, as defined by APRA from time to time.

**"Tier 2 Capital"** means:

- (a) in the case of ASB, the Tier 2 Capital of ASB, as defined by RBNZ from time to time; and
- (b) in the case of CBA, the Tier 2 Capital of CBA on the relevant Level 1 or Level 2 basis, as defined by APRA from time to time.

**"unclaimed money"** has the meaning given in clause 7.5(a).

**"VWAP"** means the average of the daily volume weighted average prices of CBA Ordinary Shares traded on ASX during the relevant VWAP Period, subject to any adjustments made under clauses 5.3 and 5.4, but the trades taken into account in determining such daily volume weighted average prices will exclude special crossings, crossings prior to the commencement of normal trading or during the closing phase or after hours adjustment phase, overnight crossings, overseas trades, trades pursuant to the exercise of options over CBA Ordinary Shares, or any other trade determined by the CBA Board in its discretion not to be reflective of normal trading in CBA Ordinary Shares and, notified in writing to ASB by CBA.

**"VWAP Period"** means:

- (a) in the case of the calculation of the Exchange Number, the period of 5 Business Days on which trading in CBA Ordinary Shares took place immediately preceding (but excluding) the day on which the Non-Viability Trigger Event occurred; or
- (b) in the case of the Issue Date VWAP, the period of 20 Business Days on which trading in CBA Ordinary Shares took place immediately preceding but excluding the Issue Date.

**"Write Down Date"** means the date on which a Write Down occurs.

**"Written Down"** means, in relation to a Security, the immediate and irrevocable termination of a Holder's rights in relation to the Security in accordance with clause 4.3(a) or 4.3(b), and **"Write Down"** has a corresponding meaning.

# Application Forms and instructions

## How do I apply?

### Apply on the paper Application Form in this Investment Statement

You should read this Investment Statement carefully before completing the Application Form. You may use the blank Application Form at the back of this Investment Statement.

You can either complete the Application Form to authorise a one-time direct debit from your bank account or attach a cheque to your Application Form as payment for your ASB Notes or through the NZClear System. You should complete the Application Form in accordance with the instructions on the Application Form.

Your Application Form should be received by the Registry by 5.00pm on 15 April 2014. All ASB Notes, including oversubscriptions, will be reserved for subscription by clients of the Joint Lead Managers, NZX Primary Market Participants and other invitees to the Bookbuild. Retail investors should contact their broker for details of the application process for ASB Notes as there is no public pool for ASB Notes.

The key dates for the Offer are indicative only and subject to change without notice. ASB may, in consultation with the Arrangers, vary the timetable, including to close the Offer early; extend the Closing Date; accept late Applications, either generally or in specific cases; or withdraw the Offer at any time prior to the Closing Date. If any of the dates are changed, subsequent dates may also change. You are encouraged to lodge your Application as soon as possible after the Opening Date.

### Treatment of Application

If your Application is incomplete or otherwise invalid, for example if the Application Form is not completed correctly or the accompanying payment is for the wrong amount, ASB may still treat it as valid. ASB reserves the right to refuse any Application or to accept an Application in part only, without providing a reason.

The decision of ASB as to whether to treat your Application as valid, and any changes made by ASB to complete your Application, will be final. The decision on the number of ASB Notes to be allocated to you will also be final. You will not be allocated more ASB Notes than can be purchased with the payment you have made. If your Application is not accepted, or is accepted in part, you will receive a refund of the balance payment without interest, within five Business Days after the Issue Date. Refunds will be paid in the manner you elect interest payments to be paid.

### Submitting your Application

You will not be able to reverse or change your Application after it has been submitted. By submitting an Application you agree to purchase and subscribe for the Face Value of ASB Notes you specify in your Application Form (or such lesser amount which ASB may determine) on the terms and conditions set out in this Investment Statement (including the Application Form) and the Deed Poll (including the Terms).

### Privacy policy

If you apply for ASB Notes, you will be asked to provide personal information to ASB, the Registry and their respective agents who will collect and hold the personal information provided by you in connection with your Application.

Your personal information will be used: (a) for considering, processing and corresponding with you about your Application; (b) in connection with your holding of ASB Notes, including sending you information concerning ASB, your ASB Notes and other matters ASB considers may be of interest to you by virtue of your holding of ASB Notes and in the event of an Exchange of your ASB Notes; (c) for conducting an audit or review of the activities contemplated in (a) or (b); and (d) for sending you information about special offers for Holders in relation to ASB's products and services.

To do these things, ASB or the Registry may disclose your personal information to: (a) each other; (b) their respective related companies including CBA as the issuer of the CBA Ordinary Shares; and (c) agents, contractors or third party service providers to whom they outsource services such as mailing and registry functions, including the Joint Lead Managers.

In addition, if you elect to pay by one-time direct debit, the Registry will communicate with your nominated bank (including providing your personal information) for the purposes of processing your payment. If you identify in your Application Form that you have a relationship with a broker, financial adviser or private banker (including submitting an Application Form that has a broker, financial adviser or private banker's stamp or code in the top right hand corner), ASB or the Registry may provide the details of your Application to your nominated broker, financial adviser or private banker.

Failure to provide the required personal information may mean that your Application Form is not able to be processed efficiently, if at all.

Where ASB and the Registry hold personal information about you in such a way that it can be readily retrieved, you have a right to obtain from ASB and the Registry confirmation of whether or not they hold such personal information, and to access and seek correction of that personal information under the Privacy Act 1993 by contacting the privacy officers of ASB and the Registry at their respective addresses shown in the Directory. You can also access your information on the Registry's website: [www.investorcentre.com/nz](http://www.investorcentre.com/nz) (you will be required to enter your CSN and Authorisation Code (FIN)).



## Completing your application

Please complete all relevant sections of the Application Form using BLOCK LETTERS. ASB may accept any Application Form not correctly completed as being valid, and may correct errors and omissions, in its sole discretion.

### A. Applicant details and information

Insert your full name(s). Applications must be in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per application. See the table below on correct name conventions.

Insert your postal address as all correspondence relating to your holding in the ASB Notes will be sent to you at this address. For joint applicants, only one address is to be entered.

Provide your telephone number so that the Registry or ASB can contact you in relation to your Application if required.

Please ensure the first name(s) and surname you provide match your identification documents (e.g. passport, drivers license or birth certificate), otherwise you may have difficulty when you wish to sell your ASB Notes.

Type of investor	Correct way to write name	Incorrect way to write name
Individual person	JOHN ALFRED SMITH	J SMITH
More than one person	JOHN ALFRED SMITH MICHELLE JANE SMITH	J & M SMITH
Companies	ABC LIMITED	ABC
Trusts	JOHN ALFRED SMITH MICHELLE JANE SMITH (JOHN SMITH FAMILY TRUST A/C)	SMITH FAMILY TRUST
Partnerships	JOHN ALFRED SMITH MICHAEL DAVID SMITH (JOHN SMITH AND SONS A/C)	JOHN SMITH & SONS
Clubs and unincorporated associations	MICHELLE JANE SMITH (SMITH INVESTMENT CLUB A/C)	SMITH INVESTMENT CLUB
Superannuation funds	JOHN SMITH LIMITED (SUPERANNUATION FUND A/C)	JOHN SMITH SUPERANNUATION FUND

### B. Application payment

Payment must be made in New Zealand dollars for immediate value by:

1. a direct debit authorisation;
2. a cheque drawn on a New Zealand bank account (or, if the application is for the ASB Notes of an aggregate subscription amount of NZ\$500,000 or more, by bank cheque); or
3. via the NZClear System (institutional investors only) by prior arrangement with the Registry.

Complete the amount of the ASB Notes applied for. Each ASB Note has a Face Value of NZ\$1.00. Note the minimum amount of the ASB Notes that you can apply for is NZ\$5,000 and multiples thereafter are NZ\$1,000 as stated in the Application Form.

Applications must be accompanied by payment in full for the dollar amount of ASB Notes applied for. Payment may be made by direct debit or cheque or through the NZClear System, and will be held by the Registry in trust until the ASB Notes are allotted to successful applicants or Application Monies are refunded.

#### Option 1: One-time direct debit

If you choose to make a one-time payment out of your bank account, the direct debit will be processed on the first Business Day after your Application Form is received by the Registry or, if received on the day the Offer closes, the same Business Day.

One-time direct debits will only be processed from New Zealand registered banks. You must ensure that:

- the bank account details supplied are correct;
- there are sufficient funds in the specified bank account;
- you have the authority to operate the account solely/jointly; and
- the bank account you nominated is one which will allow the one-time direct debit to be made. For example, certain savings accounts may not allow money to be withdrawn in this manner. If you are uncertain you should contact your bank.

If the direct debit from your bank account is unsuccessful, your Application will be rejected. The terms and conditions for one-time direct debit can be obtained by calling (09) 4888777 during the Offer Period.

#### Option 2: Cheque

If you choose to pay by cheque your cheque should be made payable to "ASB Subordinated Notes Offer", be crossed "Not Transferable" and not be post-dated.

Your cheque will be banked on the Business Day it is received. If your cheque is post-dated or dishonoured, your Application may be rejected.

#### Option 3: NZClear

Institutions that normally settle via the NZClear System can do so by making arrangements prior to the Closing Date and settlement with the Registry. Such application can be settled up to and including the Issue Date.

### C. Common Shareholder Number (CSN)

If you have other investments registered under a Common Shareholder Number (**CSN**) you can supply your CSN in the space provided. The name and address details on your Application Form must correspond with the registration details under that CSN.

## **D. Interest payments**

All future interest payments will be made to the account specified on the Application Form. If you wish for your interest to be direct credited to a Cash Management Account, please complete the section in the Application Form provided for this account information.

## **E. Electronic investor correspondence**

By supplying your email address, ASB will be able to deliver your investor correspondence, including your transaction statements, to you electronically where possible. This is a much more environmentally friendly, cost effective and timely option than paper-based investor mailing.

## **F. IRD number and tax deduction rate**

Please supply your IRD number. Resident Withholding Tax (**RWT**) will be deducted from any interest paid to you (unless you provide a valid RWT exemption certificate). Tick the RWT box that applies to you. If you are exempt from RWT, please tick the exempt box and attach a copy of your RWT exemption certificate.

## **G. Signature**

Read the investment statement and Application Form carefully and sign and date the Application Form.

The Application Form must be signed by the applicant(s) personally, or by two directors of a company (or one director if there is only one director, whose signature must be witnessed), or in either case by a duly authorised attorney or agent.

If the Application Form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate of non-revocation of power of attorney on the reverse of the Application Form.

If the Application Form is signed by an agent, the agent must complete the certificate of agent on the reverse of the Application Form.

Joint applicants must each sign the Application Form.



Broker Stamp

## Application Form ASB Subordinated Notes Offer

This Application Form is issued with the Investment Statement dated and prepared as at 17 March 2014 for the Offer of ASB Notes. This Application Form represents an offer to purchase the ASB Notes described in the Investment Statement. Any capitalised terms used in this Application Form but not defined have the same meaning as given to those terms in the Investment Statement. If you require assistance filling in this Application Form, call the Registry on (09) 4888 777.

### A. Applicant details and information

Applications must be in the names of natural persons, companies or other legal entities, up to a maximum of three names per Application. **Applications by trusts, funds, estates, partnerships or other unincorporated bodies must be made in the individual names of the persons who are the trustees, proprietors, partners or office bearers (as appropriate).**

If, for your own purposes, you want to record that the Applicants hold their ASB Notes on a particular account or for a particular purpose, you can record that in the "Company / Trust / Account Name". If you are applying on behalf of your children, or some other person in respect of whom you have the required authority, you should complete the Application Form in their name.

Mr / Mrs / Miss / Ms (please circle)	First name(s): <input style="width: 90%;" type="text"/>	Surname: <input style="width: 90%;" type="text"/>
Mr / Mrs / Miss / Ms (please circle)	First name(s): <input style="width: 90%;" type="text"/>	Surname: <input style="width: 90%;" type="text"/>
Mr / Mrs / Miss / Ms (please circle)	First name(s): <input style="width: 90%;" type="text"/>	Surname: <input style="width: 90%;" type="text"/>
Company / Name / Account Designation (if applicable): <input style="width: 95%;" type="text"/>		
Postal address:	Street address or PO Box: <input style="width: 95%;" type="text"/>	Suburb/Town: <input style="width: 95%;" type="text"/>
	City: <input style="width: 40%;" type="text"/>	Postcode: <input style="width: 20%;" type="text"/> Country: <input style="width: 40%;" type="text"/>
Telephone:	Mobile: <input style="width: 40%;" type="text"/>	Daytime: <input style="width: 40%;" type="text"/>

### B. Application payment

**Applications must be accompanied by payment.** This Application Form and your payment must be received by your broker in time to allow him or her to submit your Application to the Registry (Computershare Investor Services Limited) at the address set out in the Corporate Directory in the Investment Statement by 5.00pm (New Zealand time) on 15 April 2014. Based on NZ\$1.00 per ASB Note, **the minimum amount you can apply for is \$5,000 and multiples of \$1,000 thereafter.**

I / we apply for: Enter the dollar amount of ASB Notes you wish to apply for:  NZ\$

Choose ONE of the payment options below. Please tick the box next to your selected option.

**Option 1:**  
Please make a one-time direct debit from the bank account stated below.  
By ticking this box and submitting this Application Form, I agree that the Registry is authorised to withdraw from this account the full dollar amount of ASB Notes applied for.  
Please confirm with your bank that payments can be withdrawn from this account.  
**New Zealand Dollar Bank Account Details for one-off direct debit payment**  
Name of Bank: \_\_\_\_\_  
Account Holder Name: \_\_\_\_\_  

<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/>
Bank	Branch No	Account No	Suffix

**Option 2:**  
Please find attached my payment by **cheque** for the dollar amount of ASB Notes applied for above made payable to "ASB Subordinated Notes Offer" and crossed "Not Transferable".

**Option 3:**  
Payment will be made by the NZClear System as per prior arrangement with the Registry (**authorised institutional investors only**)  
NZClear Mnemonic: \_\_\_\_\_ trade with CISL90

### C. Common Shareholder Number (CSN)

If you have other investments in shares or other securities which are quoted on a market operated by NZX and are registered under a CSN, please supply your CSN in the space provided below. A CSN is a nine digit number commencing with 31, 32 or 33. The CSN must match the name on this Application Form. If it does not, you will be allocated a new CSN under the name provided on this Application Form. To check the registration details of your CSN, please refer to a recent securities transaction statement or remittance advice.

If you do not have a CSN, leave the space below blank and you will be allocated a CSN and Authorisation Code ((FIN) which is like a pin number for buying and selling shares) when your Application is received.

If the Applicant currently has a Common Shareholder Number (CSN) please enter it here:

### D. Interest payments

ASB will pay interest to you as a Holder. **Choose ONE of the interest payment options below. Please tick the box next to your selected option.**

- Option 1:** Pay interest directly into **my bank account**. The bank account provided must be with a New Zealand registered bank.
- Please pay interest directly into the bank account provided above in B. Application payment.
- Please pay interest directly into the bank account provided below:

**New Zealand dollar bank account details for payment of interest**

Name of Bank: \_\_\_\_\_

Account Holder Name: \_\_\_\_\_

Bank Branch No Account No Suffix

- Option 2:** Pay interest directly into **my Cash Management Account**:
- Name of NZX Firm where Cash Management Account is held: \_\_\_\_\_
- Cash Management Client Account number:

### E. Electronic communications

**I wish to receive Holder communications via email:**  
 Please enter your email address below if you wish to receive, where applicable, all Holder communications (including notification of the availability of transaction statements, payment advices and meeting documents) by email.

Email:

### F. IRD number and tax deduction rate

To confirm you are a New Zealand Applicant, please provide your IRD number, a New Zealand bank account and complete the relevant declaration below. **If you do not complete the declaration, or your bank account number or the IRD number is invalid or not supplied, your Application may be rejected.**  
**Applicant's IRD number (only one IRD number is required in respect of a joint Application):**

If you are applying on behalf of a minor (under the age of 18) or a dependent, use their IRD number. If the Applicant is a trust, company, partnership or other entity, use that entity's IRD number.

- Resident withholding tax (RWT) will be deducted from any dividends paid to the Holder (unless you provide a valid RWT exemption certificate).
- Exempt** - please tick this box if you hold a resident withholding tax (RWT) exemption certificate from IRD and attach a copy of your RWT exemption certificate.
- Please tick this box if you are a **non-resident for New Zealand tax purposes** under the Income Tax Act 2007. You will be treated as a New Zealand tax resident unless this box has been ticked.

**RWT rate**  
 If you do not hold an exemption certificate please elect an RWT rate by ticking one of the boxes below. The RWT rate you should choose is dependent on your income level. To make sure the correct rate is applied and to find out about your obligations after the end of the tax year, go to [www.ird.govt.nz/rwt](http://www.ird.govt.nz/rwt) or call 0800 870 700. The RWT rate for companies is 28%, if not a trustee and has provided an IRD Number.

10.5%  17.5%  **28% (Companies Only)**  30%  33%

### G. Signature

The Application Form must be signed by, or on behalf of, each Applicant. If the Applicant is a company or other entity, it should be signed by a duly authorised person in accordance with any applicable constitution or governing document.

If the Applicant is a minor (under the age of 18) the parent or legal guardian should sign the Application Form on the Applicant's behalf.

If you elect to pay by one-time direct debit, you should ensure that the signatories are consistent with your bank authorities.

A joint application must be signed by all applicants. Only the address of the first named of the joint applicants will be recorded on the Register and all interest payments, notices, and other correspondence will be sent to that address.

Applications lodged by individuals must be signed personally or by their attorney or agent. If this Application Form is signed by an attorney, the attorney must complete the certificate of non-revocation of power of attorney set out in the Application Form. If this Application Form is signed by an agent, the agent must complete the certificate of agent set out in the Application Form.

By signing this Application Form:

- (a) I/we agree to subscribe for the ASB Notes upon and subject to the terms and conditions of the Investment Statement, this Application Form and the Deed Poll (including the Terms) and I/we agree to be bound by the provisions thereof;

- (b) I/we confirm that I/we have received, read and understood the Investment Statement;
- (c) I/we declare that all details and statements made by me/us in this Application Form are complete and accurate;
- (d) I/we certify that, where information is provided by me/us in this Application Form about another person, I/we are authorised by such person to disclose the information to you and to give authorisation;
- (e) I/we acknowledge that an application cannot be withdrawn or revoked by the applicant once it has been submitted; and
- (f) I/we acknowledge that the Offer is only made in New Zealand and to investors in other jurisdictions where the ASB Notes may be lawfully offered, and by applying for the ASB Notes, I/we warrant that I/we received this offer in New Zealand and I/we are eligible to participate in the Offer or an investor in a jurisdiction where the ASB Notes may be lawfully offered in compliance with all applicable laws and regulations, and I/we agree to indemnify ASB and its directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred by ASB as a result of my/our breaching that warranty or the selling restrictions described in the Investment Statement.

Date:

**Note: All Applications must be returned to your broker in time for them to send your Application to the Registry by 5.00pm on 15 April 2014.**

### H. Certificate of non-revocation of power of attorney

(Complete this section if you are acting on behalf of the Applicant on this Application Form for whom you have power of attorney)

I,  (full name)  
of  (place and country of residence)  
 (occupation), certify:

That by deed dated  (date of instrument creating the power of attorney)  
 (full name of person/body corporate which granted the power of attorney)  
of

(place and country of residence of person/body corporate which granted the power of attorney)\*

Appointed me  (his/her/its) attorney;

That I have executed the Application for ASB Notes printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and

That I have not received notice of any event revoking the power of attorney.

Date:

Signature of attorney:

### I. Certificate of non-revocation of agent

(Complete this section if you are acting as agent on behalf of the Applicant on this Application Form)

I,  (full name)  
of  (place and country of residence)  
 (occupation), certify:

That by the agency agreement dated  (date of instrument creating the agency)  
 (full name of person/body corporate which appointed you as agent)  
of

(place and country of residence of person/body corporate which appointed you as agent)\*

Appointed me  (his/her/its) agent;

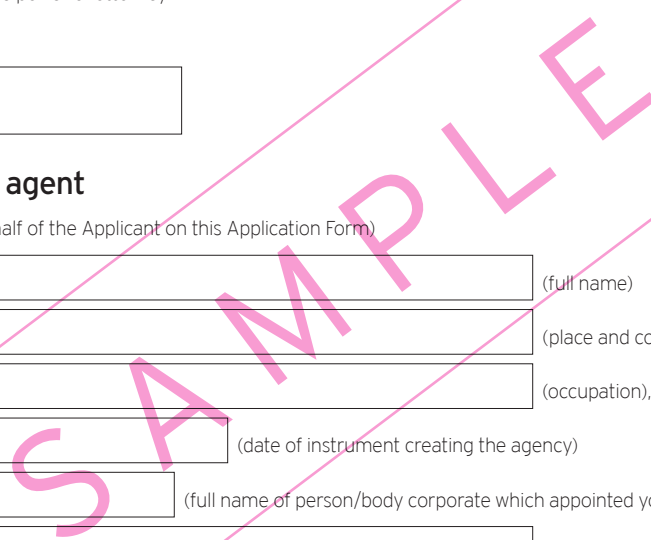
That I have executed the Application for ASB Notes printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and

That I have not received any notice or information of the revocation of my appointment as agent.

Date:

Signature of agent:

\* If the donor is a body corporate, state the place of the registered office or the principal place of business of the donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.



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# Corporate directory

## ASB

### ASB Bank Limited

Level 2, ASB North Wharf  
12 Jellicoe Street  
Auckland 1010  
New Zealand

## CBA

### Commonwealth Bank of Australia

Ground Floor, Tower 1  
201 Sussex Street  
Sydney NSW 2000  
Australia

## Arrangers

### Commonwealth Bank of Australia

Level 2, ASB North Wharf  
12 Jellicoe Street  
Auckland 1010  
New Zealand

### Goldman Sachs New Zealand Limited

Level 38, Vero Centre  
48 Shortland Street  
Auckland 1010  
New Zealand

## Joint Lead Managers

### ASB Securities Limited

Level 2, ASB North Wharf  
12 Jellicoe Street  
Auckland 1010  
New Zealand

### Deutsche Craigs Limited

Level 36, Vero Centre  
48 Shortland Street  
Auckland 1010  
New Zealand

### Forsyth Barr Limited

The Octagon  
Dunedin 9054  
New Zealand

### Goldman Sachs New Zealand Limited

Level 39, Vero Centre  
48 Shortland Street  
Auckland 1010  
New Zealand

### Macquarie Capital (New Zealand) Limited

Level 17, Lumley Centre  
88 Shortland Street  
Auckland 1010  
New Zealand

## New Zealand Legal Adviser

### Russell McVeagh

Level 30, Vero Centre  
48 Shortland Street  
Auckland 1010  
New Zealand

## Australian Legal Adviser

### King & Wood Mallesons

Level 50, Bourke Place  
600 Bourke Street  
Melbourne VIC 3000  
Australia

## Registry for ASB Notes

### Computershare Investor Services Limited

Level 2, 159 Hurstmere Road  
Takapuna  
Auckland 0622  
New Zealand

