

Product Disclosure Statement

Offer of ASB Subordinated Notes 2

Date:

25 October 2016

Issuer of ASB Subordinated Notes 2:

ASB Bank Limited

Issuer of CBA Ordinary Shares if ASB Subordinated Notes 2 are Converted:

Commonwealth Bank of Australia

Arrangers:

Commonwealth Bank of Australia

Forsyth Barr Limited

Joint Lead Managers:

Bank of New Zealand

Commonwealth Bank of Australia

Deutsche Craigs Limited

Forsyth Barr Limited

Macquarie

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.business.govt.nz/disclose.

This investment is riskier than a bank deposit. These ASB Subordinated Notes 2 are complex financial products that are not suitable for many investors. If you do not fully understand how they work or the risks associated with them, you should not invest in them. You can seek advice from a financial adviser to help you make an investment decision.

ASB Bank Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013.

ASB



1. Key information summary

What is this?

This is an offer of subordinated unsecured convertible notes ("**ASB Notes 2**"). ASB Notes 2 are debt securities issued by ASB Bank Limited ("**ASB**"). You give ASB money, and in return ASB promises to pay you interest and repay the money at the end of the term. If ASB runs into financial trouble, you might lose some or all of the money you invested.

In certain circumstances, all or some of your ASB Notes 2 will be Converted into ordinary shares ("**CBA Ordinary Shares**") of Commonwealth Bank of Australia ("**CBA**"), the ultimate parent company of ASB. These circumstances are if a Non-Viability Trigger Event occurs. A Non-Viability Trigger Event can occur if (among other things) ASB or CBA encounter severe financial difficulty. If your ASB Notes 2 are Converted into CBA Ordinary Shares, you may receive a return if dividends are paid on CBA Ordinary Shares or if you subsequently sell those CBA Ordinary Shares at a gain.

If for any reason your ASB Notes 2 are not Converted when required following a Non-Viability Trigger Event, then your ASB Notes 2 will be written off completely and you will lose all of your investment.

Warning

These ASB Notes 2 carry similar risks to shares but do not have the same opportunity for growth as shares. If ASB or CBA experiences financial difficulty, ASB Notes 2 can be converted into CBA Ordinary Shares (which may be worth less than your investment) or even written off completely. This means you could lose all of your investment.

About the ASB Group

The ASB Group is one of New Zealand's leading providers of integrated financial services including retail, corporate, commercial and rural banking and securities, investment and insurance services. ASB is the main operating entity of the ASB Group and is a registered bank.

Information about ASB and ASB's financial statements are published quarterly in the disclosure statements ASB prepares under the Reserve Bank of New Zealand Act 1989. ASB's disclosure statements are available at www.asb.co.nz/section176.aspx.

About the CBA Group

The CBA Group is one of Australia's leading providers of integrated financial services including retail, business and institutional banking, funds management, superannuation, life insurance, general insurance, broking services and financial company activities. CBA is an authorised deposit-taking institution regulated by APRA and other regulatory bodies.

Purpose of this Offer

The Offer raises Tier 2 Capital to meet ASB's and CBA's regulatory capital requirements and maintain the diversity of ASB's sources and types of funding. The proceeds of the Offer will be used for ASB's general corporate purposes.

Key terms of the Offer

Issuer	ASB Bank Limited.
Description of the debt securities	Subordinated unsecured convertible notes. ASB Notes 2 will only be Converted into CBA Ordinary Shares if a Non-Viability Trigger Event occurs and will be Terminated if Conversion does not occur when required.
Term	Approximately 10 years. ASB Notes 2 mature on the Maturity Date (15 December 2026).
Issue amount	Up to NZ\$250 million with the ability to accept oversubscriptions of up to NZ\$150 million.
Issue price and Face Value	NZ\$1.00 per ASB Note 2.
Minimum application	NZ\$5,000, and in multiples of NZ\$1,000 thereafter.
Interest Rate	<p>The Interest Rate will be:</p> <ul style="list-style-type: none"> • until the Call Option Date (15 December 2021), the sum of the Margin and the 5 Year Swap Rate (a reference interest rate for an instrument with a term of 5 years) on the Bookbuild Date (2 November 2016); and • on and from the Call Option Date, the sum of the Margin and the 5 Year Swap Rate on the Call Option Date. <p>The Margin will be announced by ASB via NZX on or before the Opening Date. The Margin will not change over the term of ASB Notes 2.</p> <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>
Opening Date of the Offer	3 November 2016.
Closing Date of the Offer	25 November 2016.
Interest payments	<p>Interest is scheduled to be paid quarterly in arrear on each Interest Payment Date until ASB Notes 2 have been repaid, Converted or Terminated (in the event that Conversion does not occur when required).</p> <p>The Interest Payment Dates are 15 March, 15 June, 15 September and 15 December in each year for so long as ASB Notes 2 are outstanding. The first Interest Payment Date is 15 December 2016.</p> <p>You will not be paid any accrued and unpaid interest if a Non-Viability Trigger Event occurs.</p>
Solvency Condition	<p>Payments of amounts on ASB Notes 2 (other than the payment of the Face Value and accrued but unpaid interest on the Maturity Date) are subject to ASB satisfying the Solvency Condition.</p> <p>See Section 5.5 (<i>Payments on ASB Notes 2 are subject to the Solvency Condition</i>) for more information.</p>
Conversion or Termination following a Non-Viability Trigger Event	<p>If a Non-Viability Trigger Event occurs, all or some of your ASB Notes 2 will automatically and immediately be Converted into CBA Ordinary Shares. A Non-Viability Trigger Event can occur if (among other things) ASB or CBA encounter severe financial difficulty.</p> <p>If for any reason your ASB Notes 2 are not Converted when required following a Non-Viability Trigger Event, then your ASB Notes 2 will be Terminated (including rights to payments of interest and principal and to receive CBA Ordinary Shares).</p> <p>You will not receive any compensation, and you have no right to take action against ASB or CBA if any of your ASB Notes 2 are Terminated.</p> <p>See Section 5.6 (<i>Conversion or Termination following a Non-Viability Trigger Event</i>) and Section 5.7 (<i>How many CBA Ordinary Shares will I receive on Conversion?</i>) for more information, including the meaning of Non-Viability Trigger Event.</p> <p>You do not have a right to request that your ASB Notes 2 be Converted in any circumstances.</p>
Receipt of CBA Ordinary Shares on Conversion	<p>If your ASB Notes 2 are Converted, you will receive a number of CBA Ordinary Shares with a value approximately equal to the aggregate Face Value of your ASB Notes 2 unless the Maximum Conversion Number applies.</p> <p>If the Maximum Conversion Number applies, the value of the CBA Ordinary Shares you receive could be significantly less than the aggregate Face Value of your ASB Notes 2. See Section 5.7 (<i>How many CBA Ordinary Shares will I receive on Conversion?</i>) for more information.</p>

No guarantee

ASB is solely responsible for paying interest on, and for the repayment of, ASB Notes 2 if ASB Notes 2 are not Converted or Terminated.

ASB Notes 2 are not guaranteed by CBA, any other member of the CBA Group or any other person, government, government agency or compensation scheme.

How you can get your money out early

Early repayment

ASB Notes 2 are a long-term investment with a term of approximately 10 years.

ASB may, subject to conditions, at its option repay all or some ASB Notes 2 on the Call Option Date (15 December 2021) or on any Scheduled Interest Payment Date after the Call Option Date, and may repay all (but not some) ASB Notes 2 if a Regulatory Event or Tax Event occurs. **You should not assume that ASB will choose to repay ASB Notes 2 early. You do not have a right to request that your ASB Notes 2 be repaid early for any reason.**

Sale of ASB Notes 2 or CBA Ordinary Shares (if ASB Notes 2 are Converted)

ASB intends to quote these ASB Notes 2 on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your ASB Notes 2, the price you get will vary depending on factors such as the financial condition of the ASB Group and movements in the market interest rates. You may receive less than the full amount that you paid for them.

The CBA Ordinary Shares that will be issued to you on Conversion are of the same class as CBA's ordinary shares that, as at the date of this Product Disclosure Statement ("PDS"), are quoted on ASX. CBA Ordinary Shares are not currently quoted on the NZX Main Board and CBA does not intend to quote the CBA Ordinary Shares on a licensed market in New Zealand. CBA intends to quote the CBA Ordinary Shares issued on Conversion on ASX.

How ASB Notes 2 rank for repayment

Ranking if no Conversion or Termination

If ASB is put into liquidation and ASB Notes 2 are not Converted or Terminated, your claim in relation to ASB Notes 2 will rank:

- ahead of claims of holders of ASB's ordinary shares, preference shares and other Tier 1 Capital securities;
- equally with claims of other Holders and holders of other securities that rank or are expressed to rank equally with ASB Notes 2; and
- after the claims of holders of other liabilities of ASB.

Ranking following Conversion

If ASB Notes 2 are Converted, you will become a holder of CBA Ordinary Shares and rank equally with other holders of CBA Ordinary Shares in a winding up of CBA. You will have no claim in a liquidation of ASB.

Ranking on Termination

You will have no claim in a liquidation of ASB if your ASB Notes 2 are Terminated.

See Section 5.10 (*Ranking*) for more information.

No security

ASB Notes 2 are not secured against any assets of ASB or CBA.

Key risks affecting this investment

If ASB or CBA experiences financial difficulty, the ASB Notes 2 may be converted into CBA Ordinary Shares or written off. You will not have any choice as to whether a conversion or write-off occurs, and you may not have a chance to sell your ASB Notes 2 before the conversion 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 the ASB Notes 2. If conversion is required but is not possible, the ASB Notes 2 will be immediately written off in part or in whole and you will lose some or all of your investment.

Interest may not always be paid on ASB Notes 2.

Investments in debt securities have risks. A key risk is that ASB does not meet its commitments to repay you or pay you interest (credit risk). Section 6 of this document (risks of investing) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for these ASB Notes 2 should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the offer is fair. ASB considers that the most significant risk factors are:

- ASB and CBA may be adversely affected by a downturn in the New Zealand and Australian economies;
- ASB and CBA may be adversely affected by disruption to global markets;
- ASB and CBA are subject to extensive regulation which may adversely affect their performance or financial position;
- ASB and CBA may incur losses associated with customer, counterparty and supplier exposures;
- ASB and CBA are subject to operational risks and may incur losses;
- ASB and CBA are subject to information security risks, including cyber attacks and data security breaches; and
- ASB and CBA may be adversely affected by changes in credit ratings.

If one or more of these significant risks eventuate, it may adversely affect the financial position and performance of ASB and/or CBA which may in turn:

- adversely affect the market price and liquidity of ASB Notes 2;
- result in ASB not being able to make the relevant payment on ASB Notes 2; or
- result in a Non-Viability Trigger Event occurring, meaning some or all of your ASB Notes 2 will be Converted into CBA Ordinary Shares or, if Conversion does not occur when required for any reason, those ASB Notes 2 will be Terminated and you will lose your investment in them.

This summary does not cover all of the risks of investing in ASB Notes 2. You should also read Section 6 (*Risks of investing*) and Section 5 (*Key features of ASB Notes 2*).

What is ASB Notes 2's credit rating?

A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.

ASB Notes 2 have been rated by Standard & Poor's (Australia) Pty Ltd ("**S&P**"). S&P gives ratings from AAA through to CC, excluding ratings attaching to entities in default.

Credit ratings by S&P may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories and can be varied or withdrawn at any time.

As at the date of this PDS, ASB Notes 2 have a credit rating of BBB+ from S&P.

Range of credit ratings for S&P	AAA	AA	A	BBB	BB	B	CCC	CC
	Capacity to meet financial commitments				Vulnerability to non-payment			
Summary description of the rating	Extremely strong	Very strong	Strong	Adequate	Less vulnerable	More vulnerable	Currently vulnerable	Currently highly vulnerable

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Section 2

Key dates and Offer process

2. Key dates and Offer process

Key dates for the Offer	
Bookbuild Date	2 November 2016
Announcement of Margin and Interest Rate	3 November 2016
Opening Date for the Offer	3 November 2016
Closing Date for the Offer	5.00pm (Auckland, New Zealand time) 25 November 2016
Issue Date/Allotment Date	30 November 2016
Expected date of initial quotation and commencement of trading on the NZX Debt Market	1 December 2016
Despatch of holding statements	1 December 2016
Key dates for ASB Notes 2	
Interest Payment Dates	15 March, 15 June, 15 September and 15 December in each year
First Interest Payment Date	15 December 2016
Call Option Date	15 December 2021
Reset of Interest Rate (if not repaid)	15 December 2021
Maturity Date	15 December 2026

The Opening Date and the Closing Date are indicative only and are subject to change. ASB has the right in its absolute discretion to open or close the Offer early, to accept late applications, and to extend the Closing Date. If ASB changes the Opening Date and/or the Closing Date, the changes will be announced via NZX as soon as reasonably practicable. If the Closing Date is extended, the Issue Date, the expected date of initial quotation and trading of ASB Notes 2 on the NZX Debt Market, the Interest Payment Dates, the Call Option Date and the Maturity Date may be extended accordingly. Any such changes will not affect the validity of any applications received.

ASB reserves the right to cancel the Offer and the issue of ASB Notes 2. If this occurs all application monies received in relation to the Offer will be refunded (without interest) as soon as practicable, and in any event within 5 business days of ASB announcing that the Offer has been cancelled.

If you wish to apply for ASB Notes 2, the Registry must have received your completed application and payment in full no later than 5.00pm (Auckland, New Zealand time) on the Closing Date - see Section 13 (*How to apply*) for more information about how to apply for ASB Notes 2.

Section 3

Terms of the Offer

3. Terms of the Offer

3.1 Description of ASB Notes 2

The following is a summary of the terms and conditions of ASB Notes 2 as set out in the Terms, which are attached as a schedule to the Deed Poll. Holders are bound by the Deed Poll, and are deemed to have notice of the Deed Poll.

You should read this PDS in full before deciding to invest. Additional information about ASB Notes 2 and the Offer is available on the Disclose register which is available at www.business.govt.nz/disclose.

If you have any questions about ASB Notes 2, you should seek advice from your financial adviser or other professional adviser.

The Glossary at Section 15 provides definitions for some of the capitalised terms used in this PDS.

ASB Notes 2	
Issuer	<p>ASB Bank Limited.</p> <p>Under the New Zealand Reserve Bank Act, ASB is a registered bank in New Zealand. Under the Australian Banking Act, ASB is not authorised as a bank or authorised deposit-taking institution.</p>
Description	<p>ASB Notes 2 are subordinated unsecured convertible debt securities of ASB that are due to be repaid in full on the Maturity Date. ASB Notes 2 may, depending on the circumstances, be repaid earlier, Converted into CBA Ordinary Shares, or if Conversion is required but does not occur for any reason, Terminated.</p> <p>ASB Notes 2 may be affected by the ongoing performance, financial position and solvency of ASB and CBA.</p>
Term	Approximately 10 years. ASB Notes 2 mature on the Maturity Date (15 December 2026).
Face Value	NZ\$1.00 per ASB Note 2.
Interest Rate	<p>The Interest Rate will be:</p> <ul style="list-style-type: none"> • until the Call Option Date, the sum of the Margin and the 5 Year Swap Rate on the Bookbuild Date; and • on and from the Call Option Date, the sum of the Margin and the 5 Year Swap Rate on the Call Option Date. <p>The Margin will be determined through the Bookbuild and announced by ASB via NZX on or before the Opening Date. The Margin will not change over the term of ASB Notes 2.</p> <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. The Interest Rate that is reset on the Call Option Date will be announced by ASB via NZX on that date.</p> <p>See Section 5.3 (<i>Interest</i>) for more information.</p>
Interest payments	<p>Interest is scheduled to be paid quarterly in arrear on each Interest Payment Date from the first Interest Payment Date (15 December 2016) until ASB Notes 2 have been repaid, Converted or, if Conversion does not occur when required, Terminated.</p> <p>The Interest Payment Dates are 15 March, 15 June, 15 September and 15 December in each year for so long as ASB Notes 2 are outstanding.</p> <p>If an Interest Payment Date is not a business day, the payment will be made the next business day, but no adjustment will be made to the amount of interest payable as a result of the delay.</p> <p>You will not be paid any accrued and unpaid interest if a Non-Viability Trigger Event occurs.</p> <p>See Section 5.3 (<i>Interest</i>) for more information.</p>

ASB Notes 2	
Solvency Condition	<p>The payment of amounts on ASB Notes 2 (other than the payment of the Face Value and accrued but unpaid interest on the Maturity Date) is subject to ASB satisfying the Solvency Condition.</p> <p>ASB will satisfy the Solvency Condition if ASB can make the payment and remain Solvent and the ASB Group will be Solvent immediately after the payment is made.</p> <p>Any interest that is not paid because ASB has not satisfied the Solvency Condition will also earn interest.</p> <p>See Section 5.5 (<i>Payments on ASB Notes 2 are subject to the Solvency Condition</i>) and Section 5.9 (<i>Events of Default</i>) for more information.</p>
ASB may repay ASB Notes 2 early	<p>ASB may, at its option, repay:</p> <ul style="list-style-type: none"> • all or some ASB Notes 2 on the Call Option Date or on any Scheduled Interest Payment Date after the Call Option Date; and • all (but not some) ASB Notes 2 if a Regulatory Event or Tax Event occurs. <p>In each case, early repayment is subject to ASB obtaining the prior written approval of the RBNZ and APRA (which may or may not be given), ASB satisfying the Solvency Condition and the satisfaction of other conditions. Early repayment will not occur unless those conditions are complied with. You should not assume that ASB will repay ASB Notes 2 early or that the conditions to early repayment (including the approval of the RBNZ and APRA) will be satisfied.</p> <p>See Section 5.4 (<i>Repayment of the Face Value</i>) for more information.</p> <p>You do not have a right to request that your ASB Notes 2 be repaid early for any reason.</p>
Call Option Date	15 December 2021.
Conversion or Termination following a Non-Viability Trigger Event	<p>If a Non-Viability Trigger Event occurs, all or some ASB Notes 2 will automatically and immediately be Converted into CBA Ordinary Shares.</p> <p>A Non-Viability Trigger Event can occur if (among other things) ASB or CBA encounter severe financial difficulty. See Section 5.6 (<i>Conversion or Termination following a Non-Viability Trigger Event</i>) for the meaning of Non-Viability Trigger Event.</p> <p>If a Non-Viability Trigger Event occurs, you may receive a number of CBA Ordinary Shares with a value which is significantly less than the aggregate Face Value of your ASB Notes 2 due to the application of the Maximum Conversion Number.</p> <p>If for any reason your ASB Notes 2 are not Converted when required following a Non-Viability Trigger Event, then your ASB Notes 2 will be Terminated. This means you will receive nothing further in relation to those ASB Notes 2, your rights under them (including rights to payments of interest and principal and to receive CBA Ordinary Shares) will be terminated and you will lose all of your investment in them.</p> <p>See Section 5.6 (<i>Conversion or Termination following a Non-Viability Trigger Event</i>) and Section 5.7 (<i>How many CBA Ordinary Shares will I receive on Conversion?</i>) for more information about Conversion and Termination.</p> <p>You do not have a right to request that your ASB Notes 2 be Converted in any circumstances.</p>
Substitution of issuer of shares on Conversion	<p>CBA may, subject to certain conditions, substitute a “non-operating holding company” (“NOHC”) as the issuer of ordinary shares on Conversion. See Section 5.11 (<i>Amendments to the Terms of ASB Notes 2 and the Deed Poll</i>) for more information on a NOHC substitution.</p>

ASB Notes 2	
Entitlement to payments	Payments of interest on ASB Notes 2 and repayment of principal will be made to the persons who are the Holders on the record date (generally 10 calendar days before the relevant Interest Payment Date).
You have limited rights	<p>Your rights to take action against ASB are limited if ASB fails to make a payment on ASB Notes 2. A failure by ASB to pay amounts due under ASB Notes 2 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.</p> <p>You have no right to take action against CBA in respect of obligations of ASB.</p> <p>See Section 6 (<i>Risks of investing</i>) for more information.</p>
No guarantee	<p>ASB Notes 2 are not guaranteed by CBA or any other member of the CBA Group.</p> <p>ASB Notes 2 are not deposit liabilities or protected accounts of CBA for the purpose of the Australian Banking Act and are not guaranteed or insured by any other person, government, government agency or compensation scheme.</p> <p>CBA does not guarantee ASB.</p>
Ranking of ASB Notes 2	<p>ASB Notes 2 are subordinated unsecured obligations of ASB.</p> <p>See Section 5.10 (<i>Ranking</i>) for more information.</p>

3.2 Description of the Offer

The Offer	
Issue amount	Up to NZ\$250 million with the ability to accept oversubscriptions of up to NZ\$150 million.
Opening Date, Closing Date and Issue Date	See Section 2 (<i>Key dates and Offer process</i>).
Offer process	<p>There is no public pool for ASB Notes 2.</p> <p>All ASB Notes 2, including oversubscriptions, will be reserved for subscription by clients of the Joint Lead Managers, NZX Primary Market Participants (as defined in the NZX Participant Rules) and other persons invited to participate in the Bookbuild.</p>
Allocation of ASB Notes 2	If a Bookbuild participant receives an allocation of ASB Notes 2 in the Bookbuild, the allocation of those ASB Notes 2 to that participant's clients is determined by the participant, and not ASB.
How to apply	<p>Instructions on how to make an application for ASB Notes 2 are contained in Section 13 (<i>How to apply</i>).</p> <p>ASB may refuse all or part of your application without giving a reason. ASB may also decide not to accept any applications whatsoever.</p>
Issue price and Face Value	NZ\$1.00 per ASB Note 2.
Minimum application	<p>NZ\$5,000, and in multiples of NZ\$1,000 thereafter.</p> <p>Offers of ASB Notes 2 in, to or from Australia must be made in accordance with the Australian selling restrictions in Section 10 (<i>Selling restrictions</i>).</p>

The Offer	
Early bird interest	<p>ASB will pay you interest on your allocated application monies at 3.00% per annum (less any applicable withholding taxes). This interest will be paid for the period from (and including) the date on which your allocated application monies are banked until (but excluding) the Issue Date.</p> <p>ASB will pay the early bird interest within 5 business days of the Issue Date, unless your application monies are returned for any reason.</p> <p>If ASB refuses your application or accepts your application in part or the Offer is withdrawn, no early bird interest will be paid on the application monies returned to you.</p>
Refunds	<p>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 5 business days of the Issue Date.</p>
Scaling	<p>ASB (in consultation with the Arrangers) reserves the right to scale oversubscriptions at its discretion.</p>
No underwriting	<p>The Offer is not underwritten.</p>
Brokerage	<p>You do not have to pay brokerage to ASB (as issuer of ASB Notes 2) or CBA (as issuer of CBA Ordinary Shares). However, you may have to pay brokerage on any purchases or sales of ASB Notes 2 or CBA Ordinary Shares through a broker or financial intermediary.</p>
NZX Debt Market quotation	<p>ASB intends to quote ASB Notes 2 on the NZX Debt Market. NZX Debt Market Ticker Code ABB050 has been reserved for ASB Notes 2.</p> <p>NZX takes no responsibility for the content of this PDS. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the Financial Markets Conduct Act 2013.</p>
Further notes	<p>ASB may issue further notes without the consent of Holders on such terms and conditions as ASB may from time to time determine.</p>
Selling restrictions	<p>The Offer is subject to the selling restrictions contained in Section 10 (<i>Selling restrictions</i>).</p> <p>Under the Deed Poll you indemnify ASB, the Arrangers and the Joint Lead Managers in respect of any loss incurred as a result of you breaching the selling restrictions contained in Section 10 (<i>Selling restrictions</i>).</p>
Governing law	<p>This PDS and the contract which is formed when ASB accepts your application are governed by New Zealand law.</p> <p>ASB Notes 2 and the Terms are governed by New Zealand law, other than clauses 4, 5 and 9 of the Terms, which are governed by the law of New South Wales, Australia.</p>
Waivers and approvals from NZX and ASX	<p>NZX has provided ASB with certain waivers of, and approvals in relation to, certain NZX Listing Rules.</p> <p>In addition, ASX has provided CBA with waivers of certain ASX Listing Rules.</p> <p>See Section 12.4 (<i>Waivers and approvals from NZX</i>), for more information in relation to the waivers from NZX. More information in relation to the waivers from ASX is available on the Disclose register which is available at www.business.govt.nz/disclose.</p>

3.3 The Deed Poll and Co-Ordination Agreement

The terms and conditions of ASB Notes 2 are set out in the Terms, which are attached as a schedule to the Deed Poll. ASB has entered into the Co-Ordination Agreement with CBA and ASB Holdings (ASB's immediate parent company) which sets out the transactions that are intended to occur between those parties on Conversion.

It is important that you read the Terms, the Deed Poll and the Co-Ordination Agreement in full before deciding to invest in ASB Notes 2. Copies of the Deed Poll (including the Terms) and the Co-Ordination Agreement may be obtained from the Disclose register which is available at www.business.govt.nz/disclose.

3.4 Trading your ASB Notes 2 on the NZX Debt Market

ASB intends to quote ASB Notes 2 on the NZX Debt Market. To be eligible to trade your ASB Notes 2 on the NZX Debt Market, you must have an account with an NZX Primary Market Participant, a common shareholder number ("**CSN**") and an authorisation code ("**FIN**"). If you do not have an account with an NZX Primary Market Participant, 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. If you do not have a FIN, it is expected that you will be sent one by the Registry. If you have an account with an NZX Primary Market Participant and have not received a FIN by the date you want to trade your ASB Notes 2, your NZX Primary Market Participant can arrange to obtain your FIN from the Registry. Your NZX Primary Market Participant will be charged a fee for requesting your FIN from the Registry and may pass this cost on to you.

You may only transfer your ASB Notes 2 in multiples of NZ\$1,000 in aggregate Face Value and after any transfer you and the transferee must each hold ASB Notes 2 with an aggregate Face Value of at least NZ\$5,000 (or no ASB Notes 2).

You will likely have to pay brokerage on any transfer of ASB Notes 2 you make through an NZX Primary Market Participant. You should contact your broker or financial adviser if you wish to sell or transfer your ASB Notes 2.

Section 4

Purpose of the Offer

4. Purpose of the Offer

The Offer raises Tier 2 Capital to meet ASB's regulatory capital requirements and maintain the diversity of ASB's sources and types of funding. ASB Notes 2 will also meet CBA's regulatory capital requirements (on a Level 2 basis).

The proceeds of the Offer will be used solely for ASB's general corporate purposes. The use of the money raised under the Offer will not change depending on the total amount that is raised. The Offer is not underwritten.

See Section 8 (*Information about ASB*) and Section 9 (*Information about CBA*) for information about:

- the businesses of ASB and CBA;
- the regulatory capital requirements that apply to each of ASB and CBA; and
- how each of ASB and CBA approach capital management, funding and liquidity.

Section 5

Key features of ASB Notes 2

5. Key features of ASB Notes 2

5.1 General

A number of the key features of ASB Notes 2 are described in Section 3 (*Terms of the Offer*). Other key features of ASB Notes 2 and further detail about some of the key features described in Section 3 (*Terms of the Offer*) are described below.

You should read this PDS in full before deciding to invest. Additional information about ASB Notes 2 and the Offer is available on the Disclose register which is available at www.business.govt.nz/disclose.

If you have any questions about ASB Notes 2, you should seek advice from your financial adviser or other professional adviser.

5.2 Comparison of ASB Notes 2 to other securities of ASB

ASB Notes 2 are different from ASB term deposits ("**Term Deposits**") and ASB senior bonds ("**ASB Senior Bonds**"). A summary of these differences is 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 2.

	Term Deposits	ASB Senior Bonds	ASB Notes 2
Term	Usually between 1 month and 5 years	Often between 3 and 7 years	Approximately 10 years, subject to early repayment, Conversion or if Conversion does not occur when required for any reason, Termination
Interest rate	Fixed	Fixed or floating	Fixed, based on the 5 Year Swap Rate on the Bookbuild Date plus the Margin. Reset on the Call Option Date
Interest payment dates	Usually end of term or annually	Semi-annually or quarterly	Quarterly
Conditions to payment of interest	None, subject to applicable laws	None, subject to applicable laws	Interest can only be paid if ASB satisfies the Solvency Condition. Non-payment would only be an Event of Default in certain circumstances, with limited rights to institute proceedings
Transferable	No	Yes	Yes - expected to be quoted on the NZX Debt Market as "ABB050"
ASB's early repayment option	No	No	Yes, on the Call Option Date or any Scheduled Interest Payment Date after that date provided certain conditions are met
Other ASB early repayment options	No	No	Yes, if a Tax Event or Regulatory Event occurs provided certain conditions are met
Non-Viability Trigger Event	No	No	Yes, in respect of ASB or CBA. A Non-Viability Trigger Event may result in all or some ASB Notes 2 being Converted into CBA Ordinary Shares or, if ASB Notes 2 are not Converted for any reason when required, those ASB Notes 2 will be Terminated
Capital classification	None	None	Tier 2 Capital

	Term Deposits	ASB Senior Bonds	ASB Notes 2
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
Ranking	Senior to ASB Notes 2	Senior to ASB Notes 2	Subordinated to Term Deposits and ASB Senior Bonds. Equal ranking with the subordinated, unsecured notes issued by ASB on 17 April 2014
Credit rating (S&P)	No	AA-	BBB+

5.3 Interest

This Section 5.3 contains further detail on the Interest Rate and how interest payments are calculated.

Interest	
Interest Rate	<p>The Interest Rate is fixed for approximately 5 years from the Issue Date until the Call Option Date, which is when it will be reset for another 5 years.</p> <p>The Interest Rate for the period from (and including) the Issue Date to (but excluding) the Call Option Date will be the sum of the Margin and the 5 Year Swap Rate on the Bookbuild Date.</p> <p>The Interest Rate for the period from (and including) the Call Option Date to (but excluding) the Maturity Date will be the sum of the Margin and the 5 Year Swap Rate on the Call Option Date.</p>
Margin	The Margin will not change over the term of ASB Notes 2.
5 Year Swap Rate	<p>A swap rate is a benchmark fixed interest rate used in the New Zealand financial markets and is commonly used as a reference by major financial institutions. The 5 year swap rate is the reference rate for an instrument with a 5 year term. Swap rates change to reflect market conditions over time.</p> <p>The 5 Year Swap Rate that will apply for the purposes of the Interest Rate will be determined by ASB on the relevant date (being, each of the Bookbuild Date and the Call Option Date) and adjusted as necessary to a quarterly rate.</p> <p>The 5 year swap rate, adjusted to a quarterly rate, as at 3 October 2016 was 2.13% per annum. The actual 5 Year Swap Rate that is used to set the Interest Rate on the Bookbuild Date and the Call Option Date may be higher or lower than that rate.</p>
Calculation of interest	<p>Interest on each ASB Note 2 is calculated by reference to an Interest Period and the Interest Rate that applies to the Interest Period.</p> <p>An Interest Period is the period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date. However:</p> <ul style="list-style-type: none"> • the first Interest Period starts on (and includes) the Issue Date; and • the last Interest Period ends on (but excludes) the date ASB Notes 2 are repaid. <p>In general, interest on ASB Notes 2 will be calculated on an annual basis and will be payable (in arrear) in equal quarterly amounts.</p> <p>However, if the period for which the interest is due is less or more than a 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> <p>You will not be paid any accrued and unpaid interest if a Non-Viability Trigger Event occurs.</p>

5.4 Repayment of the Face Value

This Section 5.4 contains a summary of when, and what happens if, your ASB Notes 2 are repaid.

Repayment	
Repayment on Maturity Date	Each ASB Note 2 is repayable for its Face Value on the Maturity Date (15 December 2026).
Early repayment by ASB	<p>ASB has the right to repay the following amount of ASB Notes 2 in the following circumstances (provided the conditions described below are satisfied):</p> <ul style="list-style-type: none"> • all or some ASB Notes 2 on the Call Option Date (15 December 2021) or any Scheduled Interest Payment Date after the Call Option Date; or • all (but not some) ASB Notes 2 at any time if: <ul style="list-style-type: none"> – a Tax Event; or – a Regulatory Event, occurs. <p>You should not assume that ASB will choose to repay ASB Notes 2 early.</p> <p>Tax Event</p> <ul style="list-style-type: none"> • Broadly, a Tax Event occurs if 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 (including following any announcement of a prospective change or amendment which has been or will be introduced), other than where ASB expected such event as at the Issue Date or the event is minor, there is a material risk that: <ul style="list-style-type: none"> – any interest payable on ASB Notes 2 is not, or will not be, allowed as a deduction for the purposes of New Zealand income tax; or – ASB or the consolidated tax group of which it is a member would be exposed to any other adverse tax consequence in relation to ASB Notes 2. <p>Regulatory Event</p> <ul style="list-style-type: none"> • Broadly, a Regulatory Event occurs if ASB determines or receives notice that CBA has determined that all or some ASB Notes 2 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 Level 2 Group under APRA's prudential standards as a result of a change in the laws of New Zealand or Australia, a change in the banking or prudential standards or a change in the treatment under the banking or prudential standards that in each case has occurred or will occur (including following any announcement of a prospective change or amendment that has been or will be introduced), other than as a result of an event that ASB expected at the Issue Date or as a result of an event which is minor. <p>You do not have a right to request that your ASB Notes 2 be repaid early for any reason.</p>
Conditions to early repayment	<p>ASB may not repay ASB Notes 2 early unless:</p> <ul style="list-style-type: none"> • it obtains the prior written approval of the RBNZ and APRA; and • broadly, either ASB Notes 2 that are repaid are replaced with a capital instrument of the same or better quality for regulatory purposes, or the RBNZ and APRA confirm that they are satisfied that ASB Notes 2 do not need to be replaced. <p>You should note that approval is at the discretion of the RBNZ and APRA and may or may not be given.</p> <p>The early repayment of ASB Notes 2 is also subject to ASB satisfying the Solvency Condition. See Section 5.5 (<i>Payments on ASB Notes 2 are subject to the Solvency Condition</i>) for more information.</p>

Repayment	
What you receive on repayment	When your ASB Notes 2 are repaid, ASB will pay you the Face Value (NZ\$1.00) for each of your ASB Notes 2 and you will have no further rights in respect of them. Accrued but unpaid interest is also payable on the repayment date.
Repayment if ASB is in liquidation	If ASB is in liquidation and ASB Notes 2 have not been Converted or Terminated, an Event of Default will occur. You may claim in the liquidation of ASB for an amount equal to the Face Value of your ASB Notes 2 together with any accrued but unpaid interest up to (but excluding) the commencement of liquidation. In this circumstance, your claims will be subordinated as described in Section 5.10 (<i>Ranking</i>) and you may not receive payment of the full amount owing on your ASB Notes 2 or any payment at all.

5.5 Payments on ASB Notes 2 are subject to the Solvency Condition

This Section 5.5 explains the Solvency Condition and how it affects your entitlement to payment of amounts on ASB Notes 2.

Solvency Condition	
Payment of amounts on ASB Notes 2 is subject to the Solvency Condition	Payment of amounts on ASB Notes 2 (other than the Face Value and accrued but unpaid interest on the Maturity Date) is subject to ASB satisfying the Solvency Condition on the relevant payment date. ASB will satisfy the Solvency Condition if ASB can make the payment and remain Solvent and the ASB Group will be Solvent immediately after the payment is made. For these purposes, Solvent means satisfying the solvency test in section 4 of the New Zealand Companies Act. Section 4 of the New Zealand Companies Act provides that a company satisfies the solvency test if (a) the company is able to pay its debts as they become due in the normal course of business and (b) the value of the company's assets is greater than the value of its liabilities, including contingent liabilities.
Unpaid amounts accumulate	Amounts that are not paid on ASB Notes 2 because ASB has not satisfied the Solvency Condition remain outstanding and are payable by ASB on the first date on which ASB is able to make the payment and satisfy the Solvency Condition. 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 actually paid or (if earlier) the date on which ASB Notes 2 are repaid. You will not be paid any accrued and unpaid interest if a Non-Viability Trigger Event occurs.
No Event of Default	No Event of Default arises if ASB fails to pay an amount on ASB Notes 2 on account of not satisfying the Solvency Condition. See Section 5.9 (<i>Events of Default</i>) for a description of the Events of Default and your rights (which are limited) following an Event of Default.

5.6 Conversion or Termination following a Non-Viability Trigger Event

This Section 5.6 provides a summary of what happens if your ASB Notes 2 are required to be Converted following a Non-Viability Trigger Event.

Conversion following a Non-Viability Trigger Event	
Conversion is required if a Non-Viability Trigger Event occurs	<p>If a Non-Viability Trigger Event occurs, some or all of your ASB Notes 2 will automatically and immediately be Converted.</p> <p>As a consequence of Conversion:</p> <ul style="list-style-type: none"> • you will cease to hold the relevant ASB Notes 2 and to have any rights whatsoever under or in relation to those ASB Notes 2, and instead will hold CBA Ordinary Shares. This is because if Conversion is required, then, with effect from the Conversion Date, each ASB Note 2 (including any rights to unpaid interest) that is to be Converted will immediately and irrevocably be transferred by you free of any encumbrance to ASB Holdings (ASB's immediate parent company); and • CBA will issue to you on the Conversion Date a number of CBA Ordinary Shares in respect of each ASB Note 2 that is to be Converted equal to the Conversion Number. <p>No conditions apply to Conversion on account of a Non-Viability Trigger Event.</p> <p>See "ASB Notes 2 will be Terminated if Conversion does not occur" below for information on Termination if ASB Notes 2 are not Converted when required for any reason.</p>
Non-Viability Trigger Event	<p>A Non-Viability Trigger Event occurs when either an ASB Non-Viability Trigger Event or a CBA Non-Viability Trigger Event occurs.</p> <p>An ASB Non-Viability Trigger Event occurs when:</p> <ul style="list-style-type: none"> • 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 2; or • 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 2. <p>A direction may be given if the RBNZ has reasonable grounds to believe that:</p> <ol style="list-style-type: none"> (a) ASB is insolvent or is likely to become insolvent; (b) ASB is about to suspend payment or is unable to meet its obligations as and when they fall due; (c) the affairs of ASB are being conducted in a manner prejudicial to the soundness of the financial system; (d) the circumstances of ASB are such as to be prejudicial to the soundness of the financial system; or (e) the business of ASB has not been, or is not being, conducted in a prudent manner. <p>There is no express constraint on a statutory manager's decision to convert or write-off ASB's Tier 2 Capital instruments.</p> <p>A CBA Non-Viability Trigger Event occurs when APRA notifies CBA in writing that it believes:</p> <ul style="list-style-type: none"> • Conversion of all or some ASB Notes 2, or conversion or write down of capital instruments of the CBA Group, is necessary because, without it, CBA would become non-viable; or • a public sector injection of capital, or equivalent support, is necessary because, without it, CBA would become non-viable. <p>Whether a Non-Viability Trigger Event will occur is at the discretion of the RBNZ or APRA (as applicable) or the statutory manager of ASB and there are currently no precedents for this.</p> <p>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>

Conversion following a Non-Viability Trigger Event

<p>Conversion may occur in relation to all or only some ASB Notes 2</p>	<p>If a Non-Viability Trigger Event occurs, the number of ASB Notes 2 that must be Converted will be the number:</p> <ul style="list-style-type: none">• specified by the RBNZ or APRA (as applicable) or as decided by the statutory manager of ASB; or• necessary to satisfy the RBNZ or APRA (as applicable) that ASB or CBA (as applicable) will no longer be non-viable. <p>However, if a CBA Non-Viability Trigger Event occurs because APRA considers that CBA would become non-viable without a public sector injection of capital or equivalent support, all ASB Notes 2 must be Converted.</p> <p>If ASB is required to Convert some ASB Notes 2, 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>What if I do not wish to receive CBA Ordinary Shares or if I am prohibited or restricted from receiving CBA Ordinary Shares?</p>	<p>If you do not wish to receive CBA Ordinary Shares, you can notify the Registry of this at any time before the Conversion 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 Conversion 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 Conversion, then CBA will issue the Conversion Number of CBA Ordinary Shares to a nominee (which may not be ASB, CBA or a related entity of ASB or CBA) (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>ASB Notes 2 will be Terminated if Conversion does not occur</p>	<p>If Conversion does not occur for any reason within 5 business days after the occurrence of a Non-Viability Trigger Event, the relevant ASB Notes 2 will be Terminated. This means you will receive nothing further in relation to those ASB Notes 2, your rights under them (including rights to payments of interest and principal and to receive CBA Ordinary Shares) will be terminated and you will lose all of your investment in them.</p> <p>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>You will not receive any compensation, and have no right to take action against ASB, CBA or any member of the CBA Group, if any ASB Notes 2 are Terminated.</p>

5.7 How many CBA Ordinary Shares will I receive on Conversion?

This Section 5.7 summarises how the number of CBA Ordinary Shares you will receive on Conversion is calculated.

Conversion formulae

Conversion Number

The Conversion Number is the number of CBA Ordinary Shares that will be issued for each ASB Note 2 on Conversion, unless the Maximum Conversion Number is less than the Conversion Number.

The **Conversion Number** is calculated on a per ASB Note 2 basis in accordance with the following formula:

$$\text{Conversion Number} = \frac{\text{Face Value} \times \text{Cross Rate}}{0.99 \times \text{VWAP}}$$

Where:

- **VWAP** means the average daily volume weighted average price of CBA Ordinary Shares traded on ASX during the period of 5 business days on which trading in CBA Ordinary Shares took place immediately preceding (but not including) the day on which the Non-Viability Trigger Event occurred, subject to adjustments (see "Adjustments to VWAP and Issue Date VWAP" below). It is intended to calculate a fair price of CBA Ordinary Shares which is used to calculate the Conversion Number.
- **Cross Rate** means the average NZ\$/A\$ currency exchange rate during the 5 business day period immediately preceding (but excluding) the Conversion Date, as determined in accordance with the Terms.

Under this formula, multiplying VWAP by 0.99 results in a 1% discount to the price of CBA Ordinary Shares which is intended to assist you in covering the potential transactional costs of selling CBA Ordinary Shares issued to you on Conversion.

The formula above is designed to operate so that, if VWAP has not fallen to below a level where the Maximum Conversion Number applies, you will receive approximately NZ\$1.01 worth of CBA Ordinary Shares for each of your ASB Notes 2 on Conversion.

However, you may receive less than NZ\$1.01 worth of CBA Ordinary Shares for each of those ASB Notes 2 on Conversion because the number of CBA Ordinary Shares you will receive for each of those ASB Notes 2 will be capped at the Maximum Conversion Number. If VWAP has fallen significantly, the Maximum Conversion Number could be significantly lower than the Conversion Number, as described below.

In addition, if the total number of CBA Ordinary Shares to be issued to you includes a fraction of a CBA Ordinary Share, that fraction will be disregarded.

Conversion formulae

Maximum Conversion Number

The number of CBA Ordinary Shares that you will receive will not be greater than the Maximum Conversion Number.

The Maximum Conversion Number is calculated on a per ASB Note 2 basis in accordance with the following formula:

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

Where:

- **Issue Date VWAP** means the average volume weighted average price of CBA Ordinary Shares traded on ASX 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 2, subject to adjustments (see "Adjustments to VWAP and Issue Date VWAP" below). It is intended to calculate a fair price of CBA Ordinary Shares which is used to calculate the Maximum Conversion Number.
- **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.

Under this formula, multiplying the Issue Date VWAP by 0.20 has the effect that the Maximum Conversion Number will 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 that the Cross Rate is the same as the Issue Date Cross Rate).

If the Maximum Conversion Number caps the number of CBA Ordinary Shares issued to you, you may receive significantly less than NZ\$1.01 worth of CBA Ordinary Shares for each of your ASB Notes 2 that is to be Converted and you may lose a significant amount of the money you invested as a consequence.

Adjustments to VWAP and Issue Date VWAP

The VWAP, and consequently the Conversion 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.

The Issue Date VWAP, and consequently the Maximum Conversion 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 NZX and the Holders.

Conversion formulae – Worked examples

Conversion formulae – Worked examples	
Worked examples	<p>Below are two worked examples of Conversion following a Non-Viability Trigger Event:</p> <p>(1) a VWAP of A\$3.00 (ie in extreme circumstances); and</p> <p>(2) a VWAP of A\$21.00 (ie in less severe circumstances).</p> <p>Both examples assume:</p> <ul style="list-style-type: none"> • an Issue Date VWAP of A\$73.50; • a holding of 5,000 ASB Notes 2 (having an aggregate Face Value of NZ\$5,000); and • a Cross Rate and Issue Date Cross Rate A\$/NZ\$ of 0.95 (ie A\$1.00 x 0.95 = NZ\$1.00). <p>The Issue Date VWAP in the examples is based on the closing price of CBA Ordinary Shares as at 3 October 2016, being A\$73.50.</p>
Status of examples	<p>The below examples are for illustrative purposes only. The figures in the examples are not forward looking statements and do not indicate, guarantee or forecast Issue Date VWAP or future VWAP or other prices of CBA Ordinary Shares.</p>
Example 1: VWAP decreases from A\$73.50 to A\$3.00	<p>Assume that a Non-Viability Trigger Event occurs and VWAP is A\$3.00, which means it has fallen by approximately 96% since the Issue Date.</p> $\text{Conversion Number} = \frac{\$5,000 \times 0.95}{0.99 \times 3.00} = 1,559 \text{ CBA Ordinary Shares per ASB Note 2}$ $\text{Maximum Conversion Number} = \frac{\$5,000 \times 0.95}{0.20 \times 73.50} = 323 \text{ CBA Ordinary Shares per ASB Note 2}$ <p>In this example, the Maximum Conversion Number caps the number of CBA Ordinary Shares issued. This means that the total number of CBA Ordinary Shares to which a Holder of 5,000 ASB Notes 2 would be entitled would be the Maximum Conversion Number of 323 ie 323 CBA Ordinary Shares.</p> <p>If, at the time of Conversion, the prevailing market price of the CBA Ordinary Shares is equal to A\$3.00 and the A\$/NZ\$ exchange rate is equal to 0.95 then the NZ\$ equivalent of the market value of CBA Ordinary Shares a Holder of 5,000 ASB Notes 2 would receive is NZ\$1,020.00 worth of CBA Ordinary Shares (ie A\$3.00 x 323 / 0.95) which is considerably less than NZ\$5,000 (ie the Face Value (of NZ\$1.00) of 5,000 ASB Notes 2).</p>
Example 2: VWAP decreases from A\$73.50 to A\$21.00	<p>Assume that a Non-Viability Trigger Event occurs and VWAP is A\$21.00, which means it has fallen by approximately 71% since the Issue Date.</p> $\text{Conversion Number} = \frac{\$5,000 \times 0.95}{0.99 \times 21.00} = 228 \text{ CBA Ordinary Shares per ASB Note 2}$ <p>The Maximum Conversion Number is 323 (ie the same as calculated in Example 1 above).</p> <p>Since the Conversion Number is less than the Maximum Conversion Number, the total number of CBA Ordinary Shares to which a Holder of 5,000 ASB Notes 2 would be entitled would be the Conversion Number of 228 ie 228 CBA Ordinary Shares.</p> <p>If, at the time of Conversion, the prevailing market price of the CBA Ordinary Shares is equal to A\$21.00 and the A\$/NZ\$ exchange rate is equal to 0.95 then the NZ\$ equivalent of the market value of CBA Ordinary Shares a Holder of 5,000 ASB Notes 2 would receive is NZ\$5,040.00 (ie A\$21.00 x 228 / 0.95) which is slightly more than NZ\$5,000 (ie the Face Value (of NZ\$1.00) of 5,000 ASB Notes 2).</p>

5.8 Receipt of CBA Ordinary Shares on Conversion

The CBA Ordinary Shares that will be issued to you on Conversion are of the same class as CBA's ordinary shares that, as at the date of this PDS, are quoted on ASX. CBA intends to quote the CBA Ordinary Shares issued on Conversion on ASX. CBA Ordinary Shares are not currently quoted on the NZX Main Board.

Any CBA Ordinary Shares issued to Holders on Conversion will be fully paid and will rank equally with CBA Ordinary Shares already on issue in all respects.

This Section 5.8 summarises the key rights attaching to the CBA Ordinary Shares. It is not intended to be an exhaustive summary of the rights and obligations of holders of CBA Ordinary Shares.

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. Investors who wish to inspect the CBA constitution may obtain a copy as provided under Section 12 (*Where you can find more information*).

Rights and liabilities attaching to CBA Ordinary Shares	
Transfers	<p>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.</p> <p>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.</p> <p>Except in limited circumstances, CBA is not bound to register more than three persons as joint holders of a CBA Ordinary Share. If CBA is required to issue a share certificate for a share by law or the ASX Listing Rules, CBA is not required to issue more than one certificate.</p> <p>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.</p>
Dividends	<p>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.</p> <p>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.</p> <p>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.</p>
Winding up	<p>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).</p>
Meetings	<p>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.</p>

Rights and liabilities attaching to CBA Ordinary Shares

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.
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 2 (taking into account any CBA Ordinary Shares into which they may Convert), Holders do not breach any applicable restrictions on ownership.

5.9 Events of Default

The Terms have very limited Events of Default and your rights are limited if an Event of Default occurs, as described below. In particular, proceedings cannot be brought to recover unpaid amounts on ASB Notes 2 if ASB would not remain Solvent after making the payment.

Events of Default	Consequences
<p>Payment default</p> <p>A payment default will occur if:</p> <ul style="list-style-type: none"> ASB does not pay any amount due in respect of ASB Notes 2 within 15 business days of its due date; and non-payment is not as a result of ASB complying with a law, regulation or court order. <p>No payment default occurs if ASB is not required to make a payment because of the Solvency Condition.</p>	<p>If a payment default occurs you may bring proceedings:</p> <ul style="list-style-type: none"> to recover any amount then due and payable but unpaid on your ASB Notes 2 (as long as ASB is able to make the payment and remain Solvent); for specific performance of any other obligation in respect of ASB Notes 2; and/or for the liquidation of ASB.
<p>Liquidation</p> <p>A liquidation default will occur on the commencement of liquidation of ASB.</p>	<p>In the case of the commencement of liquidation of ASB, you may claim in the liquidation of ASB for an amount equal to the Face Value of your ASB Notes 2 together with any accrued but unpaid interest up to (but excluding) the commencement of liquidation.</p> <p>In this circumstance, your claims will be subordinated. It is unlikely that you will receive payment of the full amount owing on your ASB Notes 2.</p>

5.10 Ranking

ASB Notes 2 are not term deposits or call deposits with ASB. ASB Notes 2 constitute subordinated unsecured debt obligations of ASB. Accordingly, on a liquidation of ASB (if Conversion has not occurred and the relevant ASB Notes 2 have not been Terminated), there is a risk that you may lose some or all of the money you invested in your ASB Notes 2. This is because if there are insufficient assets to satisfy creditors of ASB whose claims rank ahead of ASB Notes 2, you will not be repaid any of the Face Value and you will not receive any interest payments due and unpaid at that time.

If there are sufficient assets to satisfy creditors of ASB whose claims rank ahead of ASB Notes 2, there is still a risk that you may not be repaid some or all of the Face Value of your ASB Notes 2 as there may be insufficient assets to satisfy ASB's obligation to repay the Face Value and other equal ranking obligations.

The following diagram shows how ASB's liabilities, including ASB Notes 2 and other capital instruments issued by ASB, rank in a liquidation of ASB. The diagram does not describe every type of liability or security that ASB may have over the term of ASB Notes 2.

	Ranking in a liquidation of ASB	Type of obligation	Examples of existing ASB obligations/securities	Amount of existing liabilities and equity of ASB ¹ (NZ\$ million)
Higher ranking ↑ ↓ Lower ranking	Liabilities that rank in priority to ASB Notes 2	Secured debt and liabilities preferred by law Unsubordinated unsecured debt	Secured creditors such as money held with clearing systems Liabilities given preference by law including employee entitlements and taxes Deposit accounts, senior bonds, covered bonds ² , trade and general creditors	85,329
	Liabilities that rank equally with ASB Notes 2 (including ASB Notes 2)	Term subordinated debt	ASB Notes 2 Subordinated, unsecured notes issued by ASB on 17 April 2014	673
	Liabilities that rank below ASB Notes 2	Preference shares ³ and other equally ranked instruments	Perpetual preference shares issued on 15 May 2006, 16 March 2015 and 31 March 2016	1,550
	Equity	Ordinary shares	Ordinary shares, reserves and retained earnings	5,174

1. The amounts in this table are based on the 30 June 2016 unaudited management accounts for ASB adjusted for expected issue proceeds.

2. Covered bonds are an unsecured claim on ASB but are secured over certain assets which have been sold by ASB to the ASB Covered Bond Trust. In addition, certain assets of ASB have been internally securitised through the Medallion NZ Series Trust 2009-1R. In both instances, those assets are still recognised in the 30 June 2016 unaudited management accounts for ASB as they do not qualify for derecognition under accounting standards. However, these assets are not available to creditors of ASB including Holders.

3. Preference shares are a form of share capital but have been classified as liabilities in this table because they rank equally with perpetual subordinated debt and above ordinary shares in ASB.

The actual amounts of liabilities and equity of ASB at the point of liquidation will be different to the indicative amount set out in the diagram above.

Basis of preparation of table

Amounts in the table above assume NZ\$250 million of ASB Notes 2 are issued under the Offer, no ASB Notes 2 have been Converted or Terminated on account of a Non-Viability Trigger Event at the time of liquidation and no repayment of further debt is made at the time of issue. This has increased the liabilities that rank equally with ASB Notes 2 stated in the 30 June 2016 unaudited management accounts for ASB by NZ\$250 million.

No restrictions on creating further liabilities

There are no restrictions on ASB creating further liabilities that rank equally with, or in priority to, ASB Notes 2 in a liquidation of ASB after ASB Notes 2 have been issued.

ASB can therefore, at any time after the Issue Date, create further liabilities that rank equally with or in priority to ASB Notes 2. These liabilities could, for example, be other Tier 2 Capital instruments, senior bonds and customer deposits, in each case issued by ASB.

Ranking following Conversion

If any of your ASB Notes 2 are Converted, you will become a holder of CBA Ordinary Shares. In a winding up of CBA, your CBA Ordinary Shares will rank equally with other CBA Ordinary Shares on issue and behind claims of holders of all other securities and debts of CBA.

Holders of CBA Ordinary Shares are entitled to share in surplus assets on a winding up in proportion to the amount of capital paid up (all CBA Ordinary Shares issued on Conversion will be fully paid up).

Ranking on Termination

You will have no claim in the liquidation of ASB or the winding up of CBA if your ASB Notes 2 are Terminated. If your ASB Notes 2 are Terminated, you will lose all of your investment in them.

5.11 Amendments to the Terms of ASB Notes 2 and the Deed Poll

In certain circumstances, ASB may amend the Deed Poll without the consent of Holders, including where the amendment is of a formal, minor, or technical nature, is made to cure an ambiguity, is made to amend any date or time period required in connection with a repayment or Conversion or is not materially prejudicial to the interests of Holders as a whole.

ASB may also amend the Deed Poll if the amendment is approved by a Special Resolution.

Amendments made in accordance with the Deed Poll are binding on you even if you did not agree to them.

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 2 as Tier 2 Capital are subject to approval by the RBNZ and/or APRA.

Co-Ordination Agreement

Subject to first obtaining a notice of non-objection from the RBNZ and/or the written approval from APRA (where any amendment may affect the eligibility of ASB Notes 2 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 Conversion.

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 Conversion, 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.

Section 6

Risks of investing

6. Risks of investing

6.1 Introduction

There are risks which could affect the performance of ASB Notes 2 including:

- general risks associated with an investment in ASB Notes 2 and, if ASB Notes 2 are Converted, risks associated with an investment in CBA Ordinary Shares;
- significant specific risks relating to the creditworthiness of ASB or CBA or both; and
- other risks associated with ASB Notes 2 specifically.

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 2.

The risks outlined in this section are not exhaustive and there may be other risks which may affect the performance of ASB Notes 2.

6.2 General Risks

An investment in ASB Notes 2 is subject to the general risks explained below.

General Risks	
ASB may encounter financial difficulty and payments on ASB Notes 2 may not be made when scheduled or at all	If ASB encounters financial difficulty, this may result in ASB not being Solvent, or the ASB Group not being Solvent. In these circumstances, under the Terms of ASB Notes 2, ASB would not make the relevant payment on ASB Notes 2.
If a Non-Viability Trigger Event occurs, Holders may receive CBA Ordinary Shares and, if Conversion does not occur for any reason, ASB Notes 2 will be Terminated	<p>Unless repaid or Converted earlier, ASB Notes 2 will be automatically and immediately Converted upon the occurrence of a Non-Viability Trigger Event.</p> <p>ASB will be required to Convert ASB Notes 2 in all circumstances, regardless of the level at which the CBA Ordinary Share price is trading, and the Maximum Conversion Number may limit the number of CBA Ordinary Shares you receive.</p> <p>The value of CBA Ordinary Shares you receive could be less than the aggregate Face Value of your ASB Notes 2 in some circumstances, including:</p> <ul style="list-style-type: none">• the maximum number of CBA Ordinary Shares that you can receive is limited to the Maximum Conversion Number, calculated based on 20% of the Issue Date VWAP; and• to realise the value of the CBA Ordinary Shares, you can sell them on ASX at the prevailing market price. However, depending on the time you decide to sell and the market price at that time, it is possible that your sale proceeds may be less than the Face Value. <p>If you wish to sell your CBA Ordinary Shares, there is also a risk that CBA Ordinary Shares may no longer be listed on ASX at the time of Conversion and you may not be able to sell your CBA Ordinary Shares at all. CBA Ordinary Shares are not listed on the NZX Main Board.</p> <p>If for any reason your ASB Notes 2 are not Converted when required following a Non-Viability Trigger Event, then your ASB Notes 2 will be Terminated. This means you will receive nothing further in relation to those ASB Notes 2, your rights under them (including rights to payments of interest and principal and to receive CBA Ordinary Shares) will be terminated and you will lose all of your investment in them.</p>

General Risks

The risks change if ASB Notes 2 Convert into CBA Ordinary Shares

If any of your ASB Notes 2 are Converted, you will cease to hold those ASB Notes 2 and to have any rights in them. Instead you will hold CBA Ordinary Shares. See Section 5.8 (*Receipt of CBA Ordinary Shares on Conversion*) for more information.

CBA Ordinary Shares are a different type of investment to ASB Notes 2. If ASB Notes 2 are Converted, the risks will change significantly. These risks include:

- you may lose some or all of your investment in CBA Ordinary Shares. For example, this could occur if one or more of the specific risks summarised in Section 6.3 (*Specific risks relating to ASB's and CBA's creditworthiness*) occur in respect of CBA;
- in a winding up of CBA, claims of holders of CBA Ordinary Shares rank behind claims of holders of all other securities (including preference shares) and debts of CBA. You will only be paid after all creditors and, if applicable, holders of preference shares have been paid;
- the market for CBA Ordinary Shares may not be liquid or may be less liquid than that of other shares issued by other entities at or about the Conversion Date. If there is not a liquid secondary market for CBA Ordinary Shares, you may not be able to sell them at an acceptable price, or at all;
- CBA Ordinary Shares are an equity security and may trade at a market price which is different to a convertible debt security such as ASB Notes 2. The market price of CBA Ordinary Shares may be more sensitive than that of ASB Notes 2 to changes in CBA's performance, operational issues and other business issues;
- dividends are payable at the absolute discretion of CBA and the amount of each dividend is discretionary (not subject to a formula). In contrast, interest on ASB Notes 2 is payable quarterly and subject to the Solvency Condition described in Section 5.5 (*Payments on ASB Notes 2 are subject to the Solvency Condition*); and
- CBA Ordinary Shares are quoted in Australian dollars and any dividends paid on the CBA Ordinary Shares will be in Australian dollars. If you sell any CBA Ordinary Shares issued to you on Conversion, the proceeds are likely to be in Australian dollars. The exchange rate between the New Zealand dollars and Australian dollars may fluctuate and these changes may be significant. You may also incur fees when exchanging amounts received in Australian dollars into New Zealand dollars.

A description of other risks that may arise if ASB Notes 2 are Converted into CBA Ordinary Shares is contained on the Disclose register which is available at www.business.govt.nz/disclose.

The Interest Rate may become less attractive compared to returns on other investments

The Interest Rate is fixed until the Call Option Date and will be reset as a further fixed rate if ASB Notes 2 are not repaid on or before the Call Option Date. If interest rates increase during the period to the Call Option Date (approximately 5 years) and/or during the period between the Call Option Date and Maturity Date (approximately 5 years), there is a risk that the return on ASB Notes 2 may become less attractive compared to returns on other investments. This may also have an impact on the price at which you can sell your ASB Notes 2.

ASB and CBA do not guarantee any particular rate of return on ASB Notes 2.

General Risks

The market price of ASB Notes 2 will fluctuate	<p>ASB has applied for quotation of ASB Notes 2 on the NZX Debt Market. The market price of ASB Notes 2 on the NZX Debt Market will fluctuate due to various factors, including:</p> <ul style="list-style-type: none">• factors that affect the creditworthiness of ASB or CBA as described in Section 6.3 (<i>Specific risks relating to ASB's and CBA's creditworthiness</i>); and• factors which are not related to the creditworthiness of ASB or CBA as described on the Disclose register which is available at www.business.govt.nz/disclose. <p>ASB Notes 2 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 2 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>ASB and CBA do not guarantee the market price of ASB Notes 2.</p>
The liquidity of ASB Notes 2 may be low	<p>The market on NZX Debt Market for ASB Notes 2 may not be liquid and may be less liquid than that of other investments.</p> <p>If liquidity is low, there is a risk that, if you wish to sell your ASB Notes 2, you may not be able to do so at a price acceptable to you, or at all.</p>

6.3 Specific risks relating to ASB's and CBA's creditworthiness

ASB and CBA are each exposed to a number of risks that may affect their respective businesses and therefore their respective financial performance and creditworthiness.

Holders can obtain information about the performance of ASB and CBA from a variety of sources such as the annual reports, quarterly disclosure statements, half and full year results and, for CBA, independent assessments available in analysts' coverage.

The circumstances that each of ASB and CBA are aware of that exist or could arise that significantly increase the risk that payments may not be made on ASB Notes 2 when scheduled, or that a Non-Viability Trigger Event may occur, are described below. The assessment of these circumstances is based on the businesses of ASB and CBA as conducted as at the date of this PDS. If the nature or scope of the respective businesses change, other circumstances or events could give rise to this risk.

Impact of risks

Each of ASB and CBA expect some of these risks to arise (either alone or in combination) in the normal course of its business. When they do, this can lead to a loss, increase in costs or a reduction in revenues. ASB and CBA each closely manage these risks, including by maintaining an adequate level and quality of liquidity and capital that reflects the scale, nature, complexity and risk profile of its business.

In the normal course of business these risks are not expected to have a materially adverse impact on either ASB or CBA. However, the risks can become more difficult to manage if unusual circumstances exist, such as material disruptions in international funding markets or significant defaults within a particular customer sector. In these circumstances, such as where a combination of unusual circumstances occur at the same time, the impact on ASB and CBA can be more severe. In extreme circumstances, a failure to manage these risks could mean that ASB is not able to make payments on ASB Notes 2 when scheduled or that a Non-Viability Trigger Event may occur.

Specific risks relating to ASB's and CBA's creditworthiness

<p>ASB and CBA may be adversely affected by a downturn in the New Zealand and Australian economies</p>	<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 the New Zealand or Australian economies may increase unemployment, increase loan defaults, decrease property prices and other asset prices such as dairy and other commodities, decrease the value of security held and adversely affect ASB's or CBA's opportunities for business growth. Different parts of these economies may be affected at different times.</p>
<p>ASB and CBA may be adversely affected by disruption to global markets</p>	<p>As diversified financial institutions, each of ASB and CBA may be affected by market disruption in a number of ways. Each of ASB's and CBA's ability to maintain its liquidity, which is critical to its solvency, may be affected. ASB's and CBA's businesses also operate in, or depend on the operation of, these markets, either directly or indirectly, including through exposures in securities, loans, derivatives and other activities (including risk management activities). In addition, disruption to the financial markets can flow through to the real economy, slowing or contracting major global economies, and adversely affecting ASB's and CBA's opportunities for business growth.</p> <p>Each of ASB's and CBA's ability to raise funding or hedge market risks (such as interest or exchange rates) at an acceptable price, or at all, may be affected. This may adversely affect its costs, performance, financial position and financial flexibility. It may affect its ability to repay debt and access capital and funding for growth.</p>
<p>ASB and CBA are subject to extensive regulation which may adversely affect their performance or financial position</p>	<p>ASB, CBA and their businesses are subject to extensive regulation by New Zealand and Australian regulators and regulators in other jurisdictions in which they conduct business, particularly relating to capital levels, liquidity levels, provisioning, and insurance policy terms and conditions.</p> <p>The RBNZ and APRA have very wide powers under their respective banking legislation, including in limited circumstances to direct banks, including ASB and CBA, not to make payments.</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 if the pace or extent of such change exceeds ASB's or CBA's ability to implement these changes.</p>
<p>ASB and CBA may incur losses associated with customer, counterparty and supplier exposures</p>	<p>ASB and CBA lend to both retail and non-retail customers. Customers may default on their obligations to ASB or CBA due to insolvency, and credit risk is one of ASB's and CBA's most significant risks. ASB and CBA enter into transactions with a number of other counterparties, for example to hedge ASB's and CBA's risks, and suppliers. These counterparties may default on their obligations to ASB or CBA due to insolvency, illiquid markets, foreign exchange controls, operational failure or other reasons, and failure of suppliers may affect ASB's or CBA's ability to service its customers.</p>
<p>ASB and CBA are subject to operational risks and may incur losses</p>	<p>ASB's and CBA's businesses are highly dependent on their ability to process and monitor a very large number of transactions, many of which are complex, across numerous and diverse markets and in many currencies, on a daily basis. ASB's and CBA's financial, accounting, data processing or other operating systems and facilities may fail to operate properly, or become unstable or vulnerable as a result of events that are wholly or partly outside ASB's or CBA's control. Poor decisions may be made due to data quality issues and inappropriate data management. 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 (including distribution risk and mis-selling); 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; inappropriate conduct of employees; and improper business practices.</p>

Specific risks relating to ASB's and CBA's creditworthiness

<p>ASB and CBA are subject to information security risks, including cyber attacks and data security breaches</p>	<p>ASB and CBA use new technologies, internet and telecommunications in their day-to-day operations and the growing sophistication and activities of organised crime have resulted in increased information security risks for banks including ASB and CBA. ASB and CBA may incur losses from cyber attacks or other information security breaches.</p>
<p>ASB and CBA may be adversely affected by changes in credit ratings</p>	<p>ASB and CBA raise a significant portion of their wholesale funding in international capital markets, which rely on credit ratings to evaluate ASB and CBA.</p> <p>Each of ASB's and CBA's ability to raise funding and other aspects of its performance may be affected if it fails to maintain its 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 2 or CBA Ordinary Shares received on Conversion.</p>
<p>ASB and CBA are subject to the risk of failure to innovate and adapt business models</p>	<p>ASB and CBA each face the risk of failing to produce business models which meet new regulatory and social drivers. In particular, ASB and CBA are exposed to the competitive landscape where government policies may encourage new entrants to the market and introduce different regulatory standards which may represent a strategic threat to ASB's and CBA's market share. A failure by ASB or CBA to produce an appropriate response to the operating environment could lead to financial loss.</p>
<p>ASB and CBA may be adversely affected by harm to their reputation</p>	<p>ASB and CBA each manage risks relating to legal and regulatory requirements, sales, trading and advisory 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 or CBA holds strategic investments, which may cause harm to its 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>

Other risks

A description of other material risks that may affect the business of ASB or CBA and therefore the financial performance and creditworthiness of ASB or CBA is contained on the Disclose register which is available at www.business.govt.nz/disclose. These relate to the risks arising from exchange rates; human capital; intense competition; acquisitions of other businesses, or divestments of existing business; catastrophic events; and the powers of a statutory manager and of the RBNZ and APRA.

6.4 Other risks associated with ASB Notes 2 specifically

Other risks associated with ASB Notes 2 specifically	
<p>Holders of ASB Notes 2 are subordinated and unsecured creditors</p>	<p>ASB Notes 2 are subordinated and unsecured. In a liquidation of ASB, if ASB Notes 2 have not been Converted or Terminated on account of a Non-Viability Trigger Event, Holders' claims will rank after the claims of creditors preferred by law, ASB's secured creditors, depositors and holders of other liabilities of ASB.</p> <p>Your ASB Notes 2 rank equally with other subordinated and unsecured creditors.</p> <p>Holders' claims will rank ahead of claims of holders of preference shares, ordinary shares and other Tier 1 Capital securities.</p> <p>If, after the claims of holders of prior ranking claims are satisfied there are insufficient assets to pay all amounts owing on ASB Notes 2, there is a risk that you may lose some or all of the money you invested in ASB Notes 2.</p> <p>In addition, on Conversion, Holders will become holders of CBA Ordinary Shares and rank equally with other holders of CBA Ordinary Shares.</p> <p>See Section 5.10 (<i>Ranking</i>) for more information.</p>
<p>ASB may fail to pay interest or repay the Face Value of ASB Notes 2</p>	<p>There is a risk that ASB may fail to pay some or all of the interest or Face Value on ASB Notes 2 when scheduled or at all. If ASB does not pay some or all of the interest or Face Value on ASB Notes 2, you may lose some or all of your investment.</p> <p>Payments relating to ASB Notes 2 (other than the Face Value and accrued but unpaid interest on the Maturity Date) are subject to ASB satisfying the Solvency Condition on the relevant payment date.</p> <p>Amounts in relation to ASB Notes 2 that are not paid will remain outstanding and are payable by ASB on the first date on which ASB is able to make the payment and satisfy the Solvency Condition. Non-payment on account of not satisfying the Solvency Condition will not be an Event of Default.</p> <p>See Section 5.5 (<i>Payments on ASB Notes 2 are subject to the Solvency Condition</i>) for more information.</p>
<p>You have limited rights against ASB if amounts are not paid on ASB Notes 2 when due</p>	<p>An Event of Default for non-payment will only occur if an amount is not paid for 15 business days, and:</p> <ul style="list-style-type: none"> (a) the non-payment occurred in circumstances where ASB satisfied the Solvency Condition (if applicable); and (b) the non-payment is not due to compliance with any law, regulation or a court order. <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. In addition, 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>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 2.</p> <p>See Section 5.9 (<i>Events of Default</i>) for more information.</p>

Other risks associated with ASB Notes 2 specifically

A Non-Viability Trigger Event may occur

A Non-Viability Trigger Event occurs when either an ASB Non-Viability Trigger Event or a CBA Non-Viability Trigger Event occurs.

If a Non-Viability Trigger Event occurs, ASB will automatically and immediately Convert such number of ASB Notes 2:

- 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.

Examples of situations in which a Non-Viability Trigger Event may occur

There are currently no precedents for the occurrence of a Non-Viability Trigger Event and this is at the discretion of the RBNZ and APRA.

In Section 6.3 (*Specific risks relating to ASB's and CBA's creditworthiness*), a number of specific risks associated with ASB's and CBA's businesses are outlined.

In relation to a CBA Non-Viability Trigger Event, 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.

Consequences of the occurrence of a Non-Viability Trigger Event

Conversion occurs automatically without the need for any further act or step by ASB or CBA.

The number of CBA Ordinary Shares you will receive is limited to the Maximum Conversion Number. See Section 5.7 (*How many CBA Ordinary Shares will I receive on Conversion?*) for more information about the consequences of the application of the Maximum Conversion Number.

If following a Non-Viability Trigger Event, your ASB Notes 2 are not Converted for any reason, then your rights under those ASB Notes 2 will be Terminated. Your investment in the relevant ASB Notes 2 will lose all of its value - the Face Value will not be repaid and you will not receive any compensation. This could occur if CBA was prevented from issuing CBA Ordinary Shares by circumstances outside 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.

ASB may repay ASB Notes 2 if certain events occur

ASB may choose to repay all or some ASB Notes 2 on the Call Option Date or on any Scheduled Interest Payment Date after the Call Option Date, and may repay all (but not some) ASB Notes 2 at any time if a Tax Event or Regulatory Event occurs but may only do so subject to conditions including the prior written approval from the RBNZ and APRA. Approval is at the discretion of the RBNZ or APRA and may or may not be given.

If ASB Notes 2 are repaid in these circumstances then, 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 2 if you had continued to hold them. In addition, the timing or occurrence of the repayment may not coincide with your individual preferences.

See Section 5.4 (*Repayment of the Face Value*) for more information.

Other risks associated with ASB Notes 2 specifically

Holders do not have a right to request that their ASB Notes 2 be Converted or repaid early	<p>Holders do not have a right to request that their ASB Notes 2 be Converted in any circumstances or repaid prior to the Maturity Date for any reason.</p> <p>To realise your investment, you can sell your ASB Notes 2 on the NZX Debt Market at the prevailing market price. However, depending on market conditions at the time, ASB Notes 2 may be trading at a market price below their Face Value and/or the market for ASB Notes 2 may not be liquid. See “The liquidity of ASB Notes 2 may be low” in Section 6.2 (<i>General Risks</i>) for more information about liquidity risks associated with ASB Notes 2.</p>
ASB may raise more debt and issue other securities	<p>ASB has the right in its absolute discretion to issue additional securities which may:</p> <ul style="list-style-type: none">• rank for interest, dividends or payments of capital (including on a liquidation of ASB) equal with, behind or ahead of ASB Notes 2;• have the same or different interest rates as ASB Notes 2; or• have the same or different terms and conditions as ASB Notes 2. <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>A holding of ASB Notes 2 does not confer any right to participate in further issues of securities by ASB.</p>

Other risks

A description of other material risks associated with ASB Notes 2 is contained on the Disclose register which is available at www.business.govt.nz/disclose. These relate to the risk that ASB may amend the Deed Poll (including the Terms) and Holders will be subject to the amended Terms; that CBA may substitute for itself a NOHC as the issuer of ordinary shares on Conversion; and Holders have no rights if control of ASB or CBA changes.

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Section 7

Tax

7. Tax

The returns on ASB Notes 2 will be affected by taxes.

The information in this Section 7 is a high level summary of some of the tax consequences for Holders and does not purport to be tax advice. This summary is based on the law in force at the date of this PDS (which may change at any time).

If you have any questions in relation to the tax consequences of investing in ASB Notes 2 given your specific circumstances you should contact your tax adviser.

New Zealand resident withholding tax (“**RWT**”) will be deducted from interest paid to Holders who are New Zealand tax resident, and Holders who are non-resident and carry on business through a fixed establishment in New Zealand, at the relevant rate, unless the Holder establishes to the satisfaction of ASB (or the Registry on its behalf) at least 10 business days prior to the payment date that it holds a current RWT exemption certificate, or is otherwise exempt from RWT.

New Zealand non-resident withholding tax (“**NRWT**”) will be deducted from interest paid to Holders who are non-resident and do not carry on business through a fixed establishment in New Zealand, at the relevant rate. However if ASB is lawfully able to do so it will deduct approved issuer levy (“**AIL**”) (currently applicable at a 2% rate) in substitution for NRWT, unless a Holder requests that NRWT (not AIL) is deducted from such interest.

There may be other tax consequences for Holders from acquiring or disposing of ASB Notes 2, including under the financial arrangements rules in the Tax Act.

Additional information about some of the tax consequences for Holders (including if ASB Notes 2 are Converted) is contained on the Disclose register which is available at www.business.govt.nz/disclose.

Section 8

Information about ASB

8. Information about ASB

8.1 Profile of ASB

ASB is a full service, nationally operating bank and financial services company. ASB is a wholly owned subsidiary of 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. See Section 9 (*Information about CBA*) for more information about CBA.

In accordance with its vision of "Unbeatable team. Unbeatable Customer Experience." ASB strives to consistently provide its customers with outstanding service and innovative products and services.

ASB 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.

8.2 Businesses of ASB

Retail and Business Banking

The Retail and Business Banking segment of ASB provides services to private individuals and small business customers. In addition, net income is attributed to this segment for the distribution of wealth management products through ASB's retail distribution network.

Corporate, Commercial and Rural Banking

The Corporate, Commercial and Rural segment of ASB provides banking services to larger business customers. ASB Commercial Banking and ASB Corporate Banking provide banking services to medium and large organisations respectively, while ASB Rural Banking specialises in servicing agri-business clients. The Corporate, Commercial and Rural segment also incorporates ASB's financial markets activities, including financial instruments trading and sales of financial instruments to customers.

Wealth and Insurance

The Wealth and Insurance segment of ASB provides securities, investment and insurance services to customers.

8.3 Capital adequacy

ASB is a registered bank regulated by the RBNZ and other regulatory bodies.

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 2 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 2.

What is regulatory capital?

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 is the highest quality, most loss absorbent, permanent form of capital (such as ordinary share capital and retained earnings). The ratio of this form of capital to risk-weighted assets is called the Common Equity Tier 1 Capital Ratio.

Additional Tier 1 Capital is high quality capital (such as preference shares) that is also freely available to absorb losses.

Tier 1 Capital comprises Common Equity Tier 1 Capital plus 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 2 will constitute Tier 2 Capital for the ASB Group under the RBNZ's banking standards.

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.

ASB's regulatory capital requirements

ASB is required to comply with the following minimum capital ratios:

- 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%.

As at the date of this PDS, 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 more than 2.5% of Common Equity Tier 1 Capital above the minimum ratios.

The RBNZ has the discretion to apply an additional countercyclical buffer. As at the date of this PDS, ASB is not required to hold such a buffer.

ASB Group's Common Equity Tier 1 Capital levels are set out in the following table.

ASB Group's Common Equity Tier 1 Capital levels and capital requirements ¹						
	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)	Surplus above minimum Common Equity Tier 1 Capital Ratio	Surplus Common Equity Tier 1 Capital (NZ\$Bn)
30 Jun 2016	10.0%	4.9	4.5%	2.2	5.5%	2.7
31 Dec 2015	9.3%	4.4	4.5%	2.1	4.8%	2.3
30 Jun 2015	8.8%	3.9	4.5%	2.0	4.3%	1.9
31 Dec 2014	9.9%	4.1	4.5%	1.9	5.4%	2.2
30 Jun 2014	10.6%	4.2	4.5%	1.8	6.1%	2.4
31 Dec 2013	11.1%	4.4	4.5%	1.8	6.6%	2.6
30 Jun 2013	10.4%	4.0	4.5%	1.7	5.9%	2.3

1. Does not include the capital conservation buffer.

The information in the above table has been sourced from the ASB Disclosure Statement and Annual Report for the years ended 30 June 2015 and 30 June 2016. This is available as set out in Section 12 (*Where you can find more information*).

8.4 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, and ensure it holds sufficient capital to support the future development and growth of the business.

ASB 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 also takes into consideration the level of capital held by peer banks, both domestic and global.

ASB's board of directors has ultimate responsibility for capital adequacy, and minimum capital levels and limits. These are set at a higher level than required by the RBNZ.

8.5 ASB's approach to funding and liquidity

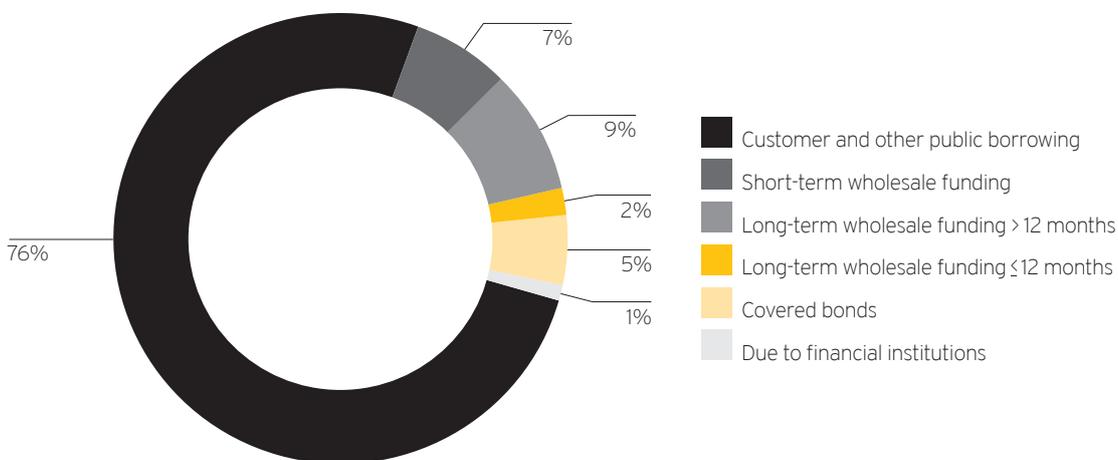
Investments in ASB Notes 2 may be affected by the ongoing financial position and solvency of ASB. ASB's funding and liquidity levels are an indication of its financial position and solvency. Material changes in ASB's liquidity and funding levels may, in extreme circumstances, result in a Non-Viability Trigger Event. In addition, payments of amounts on ASB Notes 2 (other than the Face Value and accrued but unpaid interest on the Maturity Date) are subject to ASB satisfying the Solvency Condition on the relevant payment date. Therefore, this section summarises how ASB manages its funding and liquidity, which you should understand when deciding to invest in ASB Notes 2.

ASB conducts internal assessments of the appropriate funding and liquidity levels and regularly stress-tests various scenarios to ensure that its funding and liquidity is able to withstand such stresses.

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.

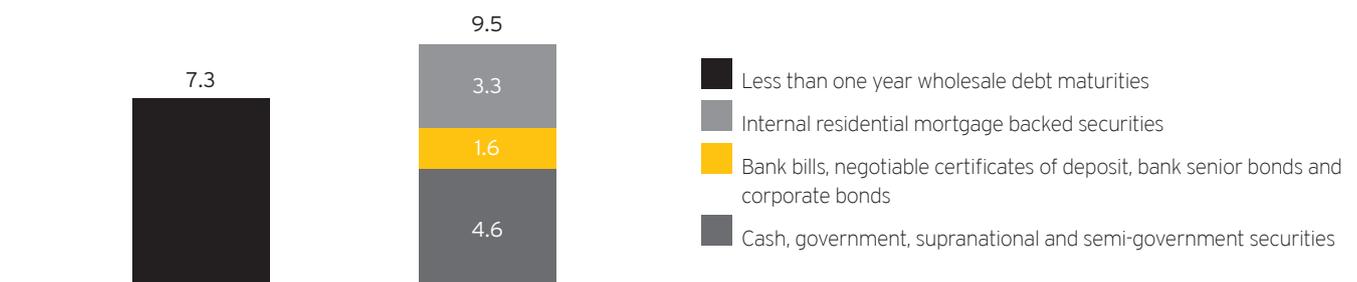
Long-term and short-term wholesale debt is raised domestically and overseas.

ASB's funding by type as at 30 June 2016



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.

ASB's liquid assets as at 30 June 2016 (NZ\$Bn)



The key objectives of ASB's funding and liquidity management are to ensure that:

- cash flow commitments can be met as they fall due under both normal operating and crisis and stress conditions;
- ASB develops and protects a resilient and diversified funding base that is responsive to ASB's business needs;
- procedures and practices in relation to funding and liquidity management are clearly documented and communicated; and
- ASB complies with the liquidity requirements of relevant regulators.

Under the RBNZ's banking standards, ASB is required to comply with minimum funding and liquidity ratios. As at the date of this PDS, ASB holds, and intends to manage, its funding profile and liquid assets above these minimums.

Section 9

Information about CBA

9. Information about CBA

9.1 Profile of CBA

CBA is one of Australia's leading providers of integrated financial services including retail, business and institutional banking, funds management, superannuation, life insurance, general insurance, broking services and financial company activities. CBA is one of the largest companies listed on ASX and had a market capitalisation of A\$127 billion as at 3 October 2016. CBA is an ADI regulated by APRA and other regulatory bodies. CBA conducts its operations primarily in Australia, New Zealand and the Asia Pacific region. It also operates in a number of other countries including the United Kingdom and the United States.

Anchored firmly to CBA's vision to 'excel at securing and enhancing the financial wellbeing of people, businesses and communities', CBA's strategy is focused on creating long-term value for its customers, shareholders and people. CBA's overarching priority is customer focus supported by four market leading capabilities - people, productivity, technology and strength.

The CBA brand is one of the most recognised brands in the Australian financial services industry. It is a brand with strong heritage that has evolved over the years and this is reflected in the reputable financial services organisation CBA is today. Other brands within the CBA Group include Colonial First State, the wealth management business, and CommSec, the online broking service.

You should also focus on the financial position of CBA when deciding to invest in ASB Notes 2. Investments in ASB Notes 2 are an investment in ASB and may be affected by the ongoing performance, financial position and solvency of ASB. ASB Notes 2 may also be affected by the ongoing performance, financial position and solvency of CBA. ASB Notes 2 are not deposit liabilities or protected accounts of CBA for the purposes of the Australian Banking Act.

9.2 Businesses of CBA

The principal activities of CBA are carried out in the business segments below. The segments are based on the distribution channels through which the customer relationship is being managed.

Retail Banking Services

Retail Banking Services provides home loan, consumer finance and retail deposit products and servicing to all retail bank customers and non-relationship managed small business customers. In addition, commission is received for the distribution of Wealth management products through the retail distribution network.

Business and Private Banking

Business and Private Banking provides specialised banking services to relationship managed business and agribusiness customers, private banking to high net worth individuals, and margin lending and trading through CommSec.

Institutional Banking and Markets

Institutional Banking and Markets services CBA's major corporate, institutional and government clients using a relationship management model based on industry expertise and local insights. The client offering includes debt raising, financial and commodities price risk management and transactional banking capabilities. Institutional Banking and Markets has international operations in London, New York, Houston, Japan, Singapore, Malta, Hong Kong, New Zealand, Beijing and Shanghai.

Wealth Management

Wealth Management includes the global asset management (including operations in Asia and Europe), platform administration and financial advice and life and general insurance businesses of the Australian operations.

New Zealand

New Zealand includes banking, funds management and insurance businesses operating in New Zealand (excluding Institutional Banking and Markets).

Bankwest

Bankwest is 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 divisions

The following parts of the business are included in the International Financial Services (“IFS”) and other divisions:

- IFS 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, the life insurance operations in Indonesia and a financial services technology business in South Africa; and
- Corporate Centre includes the results of unallocated CBA Group support functions such as Investor Relations, Group Strategy, Group Governance and Group Treasury.

9.3 Capital adequacy

CBA is an ADI regulated by APRA and other regulatory bodies. APRA generally also follows the principles for banking supervision developed by the Basel Committee on Banking Supervision. Under the current principle known as “Basel III”, CBA is currently required 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 from realising such losses.

Investments in ASB Notes 2 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 2.

An explanation of regulatory capital and capital ratios which is also relevant for CBA is set out at Section 8.3 (*Capital adequacy*).

CBA’s regulatory capital requirements

CBA is required to comply with the following minimum capital ratios:

- 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%.

As at the date of this PDS, CBA holds, and intends to hold in the future, capital at levels above these minimums.

In addition to the minimum capital ratios, APRA:

- requires Australian ADIs, including CBA, to maintain a Common Equity Tier 1 capital conservation buffer of 2.5% above APRA’s minimum capital requirements;
- requires domestic systemically important Australian banks, including CBA, to maintain a further Common Equity Tier 1 capital buffer of 1%, i.e. the total capital conservation buffer will be increased by 1% and will therefore be 3.5%; and
- may also determine that an Australian bank is required to hold an additional amount above the minimum capital requirement and this additional amount is called the “Prudential Capital Requirement”.

APRA also has the discretion to apply an additional countercyclical buffer (which is required to be satisfied with Common Equity Tier 1 Capital) with an indicative range of between 0% and 2.5%. If applicable, this forms part of the capital conservation buffer. As at the date of this PDS, CBA is required to hold a countercyclical buffer of 0.008% which does not have a material impact on CBA’s capital requirements.

In addition, a “Leverage Ratio” will be introduced by APRA and apply to CBA from 1 January 2018 to act as a supplementary measure to the other capital requirements and is defined as Tier 1 Capital divided by an ADI’s exposures (on balance sheet and derivative exposures).

CBA's Level 2 Common Equity Tier 1 Capital levels and capital requirements¹

	Common Equity Tier 1 Capital Ratio	Common Equity Tier 1 Capital (A\$Bn)	Minimum Common Equity Tier 1 Capital Ratio	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)
30 Jun 2016	10.6%	41.7	4.5%	17.8	6.1%	23.9
31 Dec 2015	10.2%	40.2	4.5%	17.7	5.7%	22.5
30 Jun 2015	9.1%	33.4	4.5%	16.6	4.6%	16.8
31 Dec 2014	9.2%	32.6	4.5%	15.9	4.7%	16.7
30 Jun 2014	9.3%	31.4	4.5%	15.2	4.8%	16.2
31 Dec 2013	8.5%	28.5	4.5%	15.0	4.0%	13.5
30 Jun 2013	8.2%	27.0	4.5%	14.8	3.7%	12.2

1. Does not include the capital conservation buffer.

This information has been sourced from CBA's Pillar 3 - capital adequacy and risk disclosures. These are available as set out in Section 12 (*Where you can find more information*).

9.4 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's board of directors and management are responsible for setting of internal capital minimums and targets to ensure that CBA's capital is prudently above APRA's minimum capital requirements.

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 year ended 30 June 2016 which is available at www.commbank.com.au/content/dam/commbank/about-us/shareholders/pdfs/results/fy16/cba-2016-full-year-results-profit-announcement.pdf.

9.5 CBA's approach to funding and liquidity

Investments in ASB Notes 2 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.

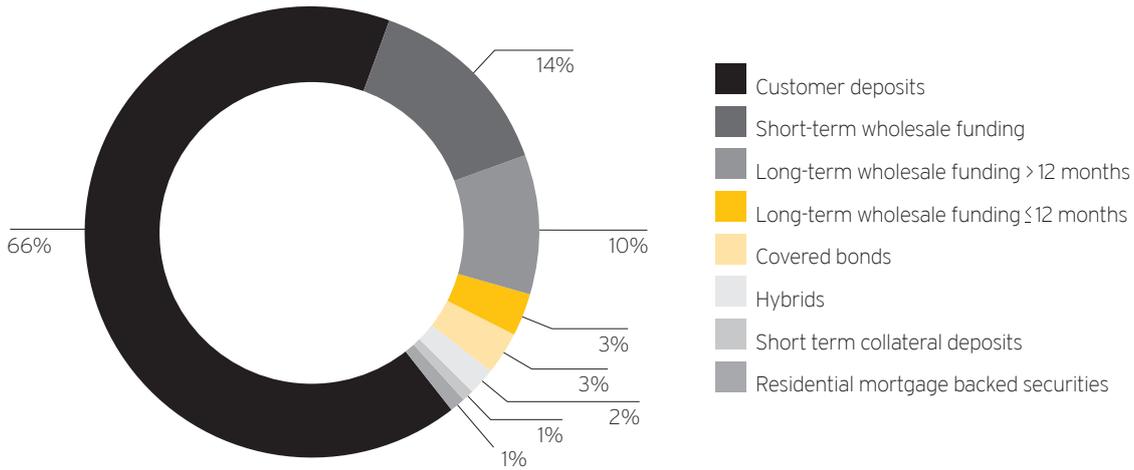
Therefore, this section summarises how CBA manages its funding and liquidity, which you should understand when deciding to invest in ASB Notes 2.

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 both in Australia 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.

It also manages its wholesale debt maturities to ensure that it is able to repay or refinance its liabilities when they fall due.

CBA's funding by type as at 30 June 2016



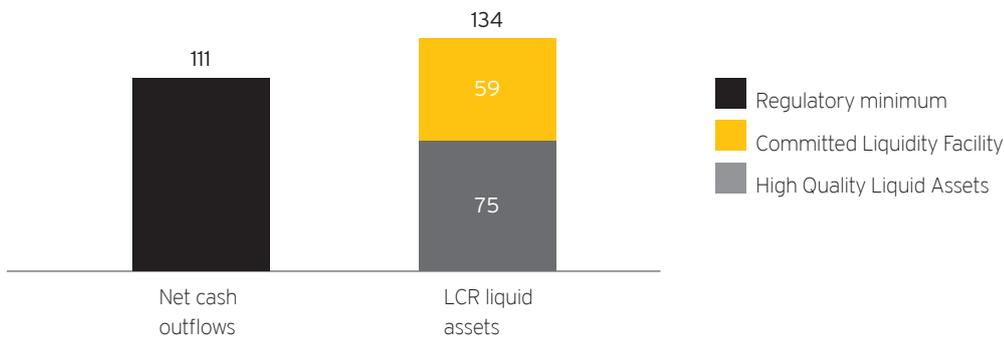
Liquidity

CBA ensures that it has sufficient cash, marketable securities and repo-eligible securities (known as high quality liquid assets or "HQLA") 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 comply with a liquidity coverage ratio ("LCR") requirement to hold HQLA at a level that exceeds net cash outflows (>100%) as required under a 30 day stress scenario.

As at 30 June 2016, CBA's LCR was 120%.

CBA's LCR as at 30 June 2016 (A\$Bn)



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Section 10

Selling restrictions

10. Selling restrictions

This PDS only constitutes an offer of ASB Notes 2 to retail investors in New Zealand and to certain New Zealand and overseas institutional investors. Neither ASB nor CBA has taken or will take any action which would permit a public offering of ASB Notes 2, or possession or distribution of any offering material in respect of ASB Notes 2, in any country or jurisdiction where action for that purpose is required (other than New Zealand). ASB Notes 2 may only be offered for sale, sold or delivered in compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered.

Any information memorandum, product disclosure statement, circular, advertisement or other offering material in respect of ASB Notes 2 may only be published, delivered or distributed in compliance with all applicable laws and regulations (including those of the country or jurisdiction in which the material is published, delivered or distributed).

Set out below are specific selling restrictions that apply to an offer of ASB Notes 2 in Australia, Hong Kong, Japan, Korea, Singapore and Taiwan. These selling restrictions do not apply to an offer of ASB Notes 2 in New Zealand.

These selling restrictions may be modified by ASB and the Joint Lead Managers, including following a change in a relevant law, regulation or directive. Persons into whose hands this PDS comes are, and each Holder is, required by ASB and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver ASB Notes 2 or have in their possession or distribute such offering material, in all cases at their own expense.

Under the Deed Poll, you will indemnify ASB, the Arrangers and the Joint Lead Managers in respect of any loss incurred as a result of you breaching the selling restrictions.

Australia

This PDS has not been, and no prospectus or other disclosure document (as defined in the Australian Corporations Act) in relation to ASB Notes 2 has been or will be, lodged with ASIC.

ASB Notes 2 may only be offered (directly or indirectly) for issue, applications may only be invited for the issue and ASB Notes 2 may only be transferred in, or into, Australia if:

- (a) the aggregate consideration payable by each offeree or transferee (as the case may be) is at least A\$500,000 (or its equivalent in an alternate currency, in either case, disregarding moneys lent by the offeror or transferor or their respective associates); and
- (b) the offer or invitation (including any resulting issue) or transfer does not:
 - (i) require disclosure to investors under Parts 6D.2 or 7.9 of the Australian Corporations Act; or
 - (ii) constitute an offer or invitation or transfer to a "retail client" as defined for the purposes of section 761G of the Australian Corporations Act; and

such action complies with any other applicable laws, regulations or directives in Australia and does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

Hong Kong

WARNING: This PDS has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this PDS or to permit the distribution of this PDS or any documents issued in connection with it. Accordingly, ASB Notes 2 have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to ASB Notes 2 has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to ASB Notes 2 that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" (as defined in the SFO and any rules made under that ordinance). No person allotted ASB Notes 2 may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this PDS have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any of the contents of this PDS, you should obtain independent professional advice.

Japan

ASB Notes 2 have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the “**FIEL**”) pursuant to an exemption from the registration requirements applicable to a private placement of securities to “Qualified Institutional Investors” (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, ASB Notes 2 may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires ASB Notes 2 may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of ASB Notes 2 is conditional upon the execution of an agreement to that effect.

Korea

ASB is not making any representation with respect to the eligibility of any recipients of this PDS to acquire ASB Notes 2 under the laws of Korea, including, without limitation, the Foreign Exchange Transaction Act and regulations thereunder. ASB Notes 2 have not been, and will not be, registered under the Financial Investment Services and Capital Markets Act of Korea (“**FSCMA**”) and therefore may not be offered or sold (directly or indirectly) in Korea or to any resident of Korea or to any persons for re-offering or resale in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Act of Korea and its enforcement decree), except as permitted under the applicable laws and regulations of Korea.

Accordingly, ASB Notes 2 may not be offered or sold in Korea other than to “accredited investors” (as defined in the FSCMA).

Singapore

This PDS and any other materials relating to ASB Notes 2 have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this PDS and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of ASB Notes 2, may not be issued, circulated or distributed, nor may ASB Notes 2 be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This PDS has been given to you on the basis that you are (i) an “institutional investor” (as defined in the SFA) or (ii) a “relevant person” (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this PDS immediately. You may not forward or circulate this PDS to any other person in Singapore.

Any offer is not made to you with a view to ASB Notes 2 being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire ASB Notes 2. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Taiwan

ASB Notes 2 have not been registered in Taiwan nor approved by the Financial Supervisory Commission of the Republic of China (Taiwan). Holders of ASB Notes 2 may not resell them in Taiwan nor solicit any other purchasers in Taiwan for this offering.

No sale in the United States

This PDS (including an electronic copy) may not be distributed or released, in whole or in part, in the United States. Neither ASB Notes 2 nor CBA Ordinary Shares have been or will be registered under the US Securities Act of 1933, as amended (“**US Securities Act**”) or the securities laws of any state of the United States, and they may not be offered or sold in the United States or to or for the account or benefit of US persons (as defined in Regulation S under the US Securities Act). ASB Notes 2 are being offered and sold in the Offer solely outside the United States to non-US persons pursuant to Regulation S.

Any offer, sale or resale of ASB Notes 2 in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act.

Role of the Arrangers and Joint Lead Managers

This PDS does not constitute a recommendation by any Arranger, any Joint Lead Manager or any of their respective directors, officers, employees, agents or advisers to subscribe for, or purchase, any ASB Notes 2.

The role of the Arrangers in relation to the Offer is solely to provide assistance to ASB with arranging the Offer, organising the Bookbuild and assisting with the quotation of ASB Notes 2 on the NZX. The Joint Lead Managers will assist with the marketing and distribution of ASB Notes 2 but are not otherwise involved in the Offer.

You must make your own independent investigation and assessment of the financial condition and affairs of ASB and CBA before deciding whether or not to apply for ASB Notes 2.

Section 11

How to complain

11. How to complain

11.1 Complaints about ASB Notes 2

Any complaints about ASB Notes 2 can be directed to ASB's Customer Care Manager at:

ASB Bank Limited

Manager Customer Care
PO Box 35
Shortland Street
Auckland 1140

Telephone: (09) 377 8930

Email: CustomerCare@asb.co.nz

If, after giving us the opportunity to resolve any complaint, you feel we have not resolved it satisfactorily, you can contact the Banking Ombudsman (which is an approved dispute resolution scheme) at:

Banking Ombudsman

Level 5, Huddart Parker Building
1 Post Office Square
Wellington 6011

Freepost 218002
PO Box 25327
Featherston Street
Wellington 6146

Telephone: 0800 805 950

Email: help@bankomb.org.nz

However, depending on your circumstances, the Banking Ombudsman may not be able to consider your complaint. The Banking Ombudsman will not charge you a fee to investigate or resolve a complaint.

11.2 Complaints about CBA Ordinary Shares

If any of your ASB Notes 2 are Converted into CBA Ordinary Shares and you have any problems or complaints about CBA Ordinary Shares, contact CBA via the contact details in Section 14 (*Contact information*) outlining your problems or concerns and CBA will endeavour to resolve the issues.

Section 12

Where you can find more information

12. Where you can find more information

12.1 Disclose register

Further important information relating to ASB and ASB Notes 2 is available free of charge on the online Disclose register maintained by the Companies Office. The Disclose register can be accessed at www.business.govt.nz/disclose. A copy of the information on the Disclose register is also available on request to the Registrar of Financial Service Providers at registrar@fspr.govt.nz.

The information contained on the Disclose register includes:

- additional general risks associated with an investment in ASB Notes 2, additional specific risks relating to ASB's and CBA's creditworthiness and additional risks associated with ASB Notes 2 specifically;
- copies of the Deed Poll, Co-Ordination Agreement, and the CBA constitution;
- a credit rating report from S&P in relation to ASB Notes 2; and
- other material information in relation to ASB Notes 2 and the Offer that is not included in this PDS.

Notices to the Holders may be given by making an announcement on NZX.

12.2 Information about ASB and ASB Notes 2

A copy of ASB's most recent disclosure statement can also be obtained (free of charge) at www.asb.co.nz/section176.aspx. ASB's annual disclosure statements and other documents relating to ASB, are filed on a public register at the Companies Office and are available for public inspection (free of charge) through the Companies Office or on the Companies Office website (www.business.govt.nz/companies).

In addition to the above information, you (whether you subscribe for ASB Notes 2 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 2 within 5 business days after the date of allotment of ASB Notes 2 or registration of the relevant transfer (as the case may be).

The Registry will provide you with a resident withholding tax ("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 2.

In addition, information relating to ASB Notes 2 and ASB will be disclosed on the NZX Debt Market in accordance with the continuous disclosure provisions of the NZX Listing Rules.

Further information about ASB is available (free of charge) at www.asb.co.nz/about-asb/ and from its registered office at Level 2, ASB North Wharf, 12 Jellicoe Street, Auckland 1010.

Additional information about ASB Notes 2 is also available (free of charge) at www.asb.co.nz/subordinated-notes2.

12.3 Information about CBA

CBA is a disclosing entity for the purposes of the Australian Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Australian Corporations Act and the ASX Listing Rules.

In addition, CBA must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about CBA that a reasonable person would expect to have a material effect on the price or value of its quoted securities.

Copies of documents lodged with ASIC by CBA can be obtained from, or inspected at, an ASIC office (a fee may be payable and/or the document requested may not be provided immediately). They can also be obtained (free of charge) from www.asx.com.au under ASX ticker code CBA, together with CBA's other ASX announcements.

In addition, CBA's full year profit announcement for the year ended 30 June 2016 can be obtained (free of charge) from www.commbank.com.au/content/dam/commbank/about-us/shareholders/pdfs/results/fy16/cba-2016-full-year-results-profit-announcement.pdf.

Upon request during the Offer Period, CBA will provide, free of charge, a copy of its latest annual financial report released to ASX on 15 August 2016, profit announcement for the full year ended 30 June 2016 released to ASX on 10 August 2016 and any continuous disclosure notices given by CBA to ASX since 15 August 2016 and before the date of this PDS.

12.4 Waivers and approvals from NZX

NZX has provided a number of technical waivers from the NZX Listing Rules that reflect the nature of ASB Notes 2 and that ASB is a registered bank. These are:

- that no supervisor is required to be appointed in accordance with NZX Listing Rule 3.2.1(a);
- 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 2 are Converted; and
- 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 PDS 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 Conversion which is known at the date of this PDS;
- that the Interest Rate that applies until the Call Option Date is announced via NZX on or before the Issue Date; and
- that a notice under NZX Listing Rule 7.12.2 following a Conversion must be given as soon as practicable and in any event before the NZX Debt Market opens for trading on the business day after Conversion occurs.

NZX has provided ASB with approval under NZX Listing Rule 11.1.5 to enable ASB to decline to register a transfer of ASB Notes 2 if:

- the transfer would result in the transferor or the transferee holding or continuing to hold ASB Notes 2 with a Face Value of less than NZ\$5,000 (if not zero) or if the transfer is not in multiples of NZ\$1,000; or
- it is a transfer of ASB Notes 2 in, to, or from Australia and the transfer does not comply with the Australian selling restriction in Section 10 (*Selling restrictions*).

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Section 13

How to apply

13. How to apply

To apply for ASB Notes 2, you must complete the application form at the back of this PDS. 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 Section 14 (*Contact information*) on or before 5.00pm (Auckland, New Zealand time) on the Closing Date.

All ASB Notes 2, including oversubscriptions, will be reserved for subscription by clients of the Joint Lead Managers, NZX Primary Market Participants and other persons invited to participate in the Bookbuild.

You should contact your broker for details of the application process for ASB Notes 2 as there is no public pool for ASB Notes 2.

Section 14

Contact information

14. Contact information

Contact details of the issuer of ASB Notes 2

ASB Bank Limited

ASB North Wharf
12 Jellicoe Street
Auckland 1010
Telephone: 0800 803 804

Contact details of the issuer of CBA Ordinary Shares

Commonwealth Bank of Australia

Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000
AUSTRALIA
Telephone: +61 2 9118 7113

Contact details of Registry

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622
Private Bag 92119
Auckland 1142
Telephone: +64 9 488 8777

Other persons involved in the Offer

Arrangers

Commonwealth Bank of Australia
Forsyth Barr Limited

Joint Lead Managers

Bank of New Zealand
Commonwealth Bank of Australia
Deutsche Craigs Limited
Forsyth Barr Limited
Macquarie Capital (New Zealand) Limited (acting through its affiliates)

New Zealand Legal Adviser

Russell McVeagh

Australian Legal Adviser

King & Wood Mallesons

Section 15

Glossary

15. Glossary

Term	Meaning
5 Year Swap Rate	The average of the bid and offered swap yields as displayed at or about 11.00am on the relevant date on Bloomberg Professional Service page "ICNI" (or its successor page) for a NZ\$ interest rate swap with a term of 5 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 a NZ\$ interest rate swap with a term of 5 years (with the rate in each case adjusted for quarterly payments)
A\$	Australian dollars
Additional Tier 1 Capital	Securities recognised by the RBNZ or APRA as additional Tier 1 capital. See Section 8.3 (<i>Capital adequacy</i>) and Section 9.3 (<i>Capital adequacy</i>)
ADI	Authorised Deposit-taking Institution under the Australian Banking Act
APRA	Australian Prudential Regulation Authority or any successor body responsible for prudential regulation of CBA
Arrangers	Commonwealth Bank of Australia and Forsyth Barr Limited
ASB	ASB Bank Limited
ASB Group	Has the meaning given to "banking group" in ASB's conditions of registration
ASB Holdings	ASB Holdings Limited, the immediate parent company of ASB Bank Limited which is owned by CBA
ASB Non-Viability Trigger Event	Occurs when: <ul style="list-style-type: none"> • 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 instruments that include ASB Notes 2; or • 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 2
ASB Notes 2 or ASB Subordinated Notes 2	The notes issued by ASB under the Deed Poll
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the securities market operated by it as the context requires
ASX Listing Rules	The listing rules of ASX from time to time, with any applicable modification or waiver granted by ASX
Australian Banking Act	Banking Act 1959 (Cth)
Australian Corporations Act	Corporations Act 2001 (Cth)
Bookbuild	The process conducted prior to the opening of the Offer where certain brokers and investors bid for an allocation of ASB Notes 2 at different proposed margin levels and, on the basis of those bids, ASB (in consultation with the Arrangers) determines the Margin
Bookbuild Date	2 November 2016
Call Option Date	15 December 2021, being the Scheduled Interest Payment Date falling 5 years after the Issue Date

Term	Meaning
CBA	Commonwealth Bank of Australia (ABN 48 123 123 124)
CBA Group	CBA (or any NOHC that is a holding company of CBA) and its subsidiaries
CBA Level 2 Group	CBA together with each subsidiary included by APRA from time to time in the calculation of CBA's capital ratios on a Level 2 basis
CBA Non-Viability Trigger Event	Occurs when APRA notifies CBA in writing that it believes: <ul style="list-style-type: none"> • a Conversion of all or some ASB Notes 2, or conversion or write down of capital instruments of the CBA Group is necessary because, without it, CBA would become non-viable; or • a public sector injection of capital, or equivalent support, is necessary because, without it, CBA would become non-viable
CBA Ordinary Share	A fully paid ordinary share in the capital of CBA
Closing Date	The closing date for the Offer which is expected to be 25 November 2016
Common Equity Tier 1 Capital	Ordinary share capital, retained earnings plus certain other items recognised as capital by the RBNZ or APRA net of any required deductions. See Section 8.3 (<i>Capital adequacy</i>) and Section 9.3 (<i>Capital adequacy</i>)
Conversion	The exchange of ASB Notes 2 for CBA Ordinary Shares. The effect of Conversion is that you no longer hold ASB Notes 2 and instead you will hold CBA Ordinary Shares. This is because, on the occurrence of a Non-Viability Trigger Event: <ul style="list-style-type: none"> • CBA will issue a number of CBA Ordinary Shares to you; and • your ASB Notes 2 will be automatically transferred to ASB Holdings free from any encumbrance. <p>This is described as "Exchange" in the Terms.</p> <p>"Convert" and "Converted" have corresponding meanings</p>
Conversion Date	The date on which a Non-Viability Trigger Event occurs (subject to any Termination). This is called the "Exchange Date" in the Terms
Conversion Number	The number of CBA Ordinary Shares to be issued per ASB Note 2 on Conversion as described in Section 5.7 (<i>How many CBA Ordinary Shares will I receive on Conversion?</i>) under the section entitled "Conversion Number". This is called the "Exchange Number" in the Terms
Co-Ordination Agreement	The co-ordination agreement dated on or about 12 October 2016 between ASB, ASB Holdings and CBA
Deed Poll	The deed poll dated on or about 12 October 2016 made by ASB under which ASB Notes 2 are constituted
Event of Default	An event described in Section 5.9 (<i>Events of Default</i>)
Face Value	NZ\$1.00 per ASB Note 2
Holder	A registered holder of ASB Notes 2
Ineligible Holder	Means a Holder who is prohibited or restricted by any applicable law or regulation in force in Australia from being offered, holding or acquiring CBA Ordinary Shares, and includes a Holder whose address in the Register is outside New Zealand or Australia

Term	Meaning
Interest Payment Date(s)	15 March, 15 June, 15 September and 15 December each year until the repayment date, Conversion Date or date on which ASB Notes 2 are Terminated (each a “ Scheduled Interest Payment Date ”), and also the repayment 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 is 15 December 2016
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"> • the first Interest Period starts on (and includes) the Issue Date; and • the final Interest Period ends on (but excludes) the date ASB Notes 2 are repaid
Interest Rate	The Interest Rate will be: <ul style="list-style-type: none"> • until the Call Option Date, the sum of the Margin and the 5 Year Swap Rate on the Bookbuild Date; and • on and from the Call Option Date, the sum of the Margin and the 5 Year Swap Rate on the Call Option Date
Issue Date	The date ASB Notes 2 are issued which is expected to be 30 November 2016
Joint Lead Managers	Bank of New Zealand, Commonwealth Bank of Australia, Deutsche Craigs Limited, Forsyth Barr Limited and Macquarie Capital (New Zealand) Limited (acting through its affiliates)
Margin	The margin for ASB Notes 2 as determined by the Bookbuild and announced by ASB on or before the Opening Date
Maturity Date	15 December 2026, being the Scheduled Interest Payment Date falling 10 years after the Issue Date
Maximum Conversion Number	The maximum number of CBA Ordinary Shares to be issued per ASB Note 2 on Conversion as described in Section 5.7 (<i>How many CBA Ordinary Shares will I receive on Conversion?</i>). This is described as the “Maximum Exchange Number” in the Terms
New Zealand Companies Act	Companies Act 1993 (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
Non-Viability Trigger Event	Means either an ASB Non-Viability Trigger Event or a CBA Non-Viability Trigger Event
NZX	NZX Limited
NZ\$	New Zealand dollars
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
Offer	The offer made by ASB of ASB Notes 2 to raise up to NZ\$250 million, with the ability to accept oversubscriptions of up to NZ\$150 million

Term	Meaning
Offer Period	The period from the Opening Date to the Closing Date
Opening Date	The opening date of the Offer which is expected to be 3 November 2016
PDS or Product Disclosure Statement	This product disclosure statement dated 25 October 2016
RBNZ	Reserve Bank of New Zealand or any successor body responsible for prudential regulation of ASB
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
Regulatory Event	Means: <ul style="list-style-type: none"> • a determination by ASB that all, some or a proportion of all or some ASB Notes 2 are not or will not be treated as Tier 2 Capital of the ASB Group under RBNZ's prudential requirements (as amended from time to time), as a result of a change in the laws of New Zealand, RBNZ's prudential requirements or treatment under RBNZ's prudential requirements that in each case has occurred or will occur (including following any announcement of a prospective change or amendment which has been or will be introduced), other than as a result of an event that ASB expected as at the Issue Date or as a result of an event that is minor; or • ASB receives a notice from CBA that all, some or a proportion of all or some ASB Notes 2 are not or will not be treated as Tier 2 Capital of the CBA Level 2 Group under APRA's prudential requirements (as amended from time to time), as a result of a change in the laws of Australia or APRA's prudential requirements that in either case has occurred or will occur (including following any announcement of a prospective change or amendment which has been or will be introduced), other than as a result of an event that ASB expected as at the Issue Date or as a result of an event that is minor
Reserve Bank Act	Reserve Bank of New Zealand Act 1989 (NZ)
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
Solvency Condition	Broadly, Solvency Condition means the condition that ASB must satisfy before it makes a payment (other than Face Value and accrued but unpaid interest on the Maturity Date) on ASB Notes 2. See Section 5.5 (<i>Payments on ASB Notes 2 are subject to the Solvency Condition</i>)
Special Resolution	A resolution passed: <ul style="list-style-type: none"> • at a duly convened meeting of Holders: <ul style="list-style-type: none"> – by at least 75% of Holders voting on a show of hands unless the resolution is passed by written resolution as set out below; or – if a poll is duly demanded, by at least 75% of the votes cast; or • by written resolution by Holders of at least 75% of the aggregate Face Value of ASB Notes 2 then outstanding
Tax Act	Income Tax Act 2007 (NZ)

Term	Meaning
Tax Event	<p>Broadly, a Tax Event will occur if 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:</p> <ul style="list-style-type: none"> • any interest payable on ASB Notes 2 is not, or will not be, allowed as a deduction for the purposes of New Zealand income tax; or • ASB or the consolidated tax group of which it is a member would be exposed to any other adverse tax consequence in relation to ASB Notes 2, <p>in each case as a result of a change in law or interpretation of law that in either case has occurred or will occur (including following any announcement of a prospective change or amendment which has been or will be introduced), other than where ASB expected such event as at the Issue Date or the event is minor</p>
Terminated	<p>In relation to an ASB Note 2, the immediate and irrevocable termination of your rights in relation to such ASB Note 2. In particular, if an ASB Note 2 is required to be Converted following a Non-Viability Trigger Event and within 5 business days after the date of the occurrence of the Non-Viability Trigger Event:</p> <ul style="list-style-type: none"> • CBA Ordinary Shares have not been issued to you, your rights in relation to that ASB Note 2 (including any right to receive CBA Ordinary Shares on Conversion and to payment of interest and principal) are immediately and irrevocably terminated; or • that ASB Note 2 has not been transferred to ASB Holdings, your rights in relation to that ASB Note 2 (including any right to be issued CBA Ordinary Shares on Conversion if not already issued and to payment of interest and principal) are immediately and irrevocably terminated. <p>“Terminate” and “Termination” have corresponding meanings. Termination is also known as a write-off of your ASB Notes 2</p>
Terms	The terms of ASB Notes 2 forming schedule 1 to the Deed Poll
Tier 1 Capital	Common Equity Tier 1 Capital plus Additional Tier 1 Capital
Tier 2 Capital	Instruments recognised by the RBNZ or APRA as Tier 2 capital. See also Section 8.3 (<i>Capital adequacy</i>) and Section 9.3 (<i>Capital adequacy</i>)

Application form and instructions

How do I apply?

Apply on the paper application form in this Product Disclosure Statement

You should read this Product Disclosure Statement carefully before completing the application form. You must use the blank application form at the back of this Product Disclosure 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 2 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 (Auckland, New Zealand time) on 25 November 2016. All ASB Notes 2, including oversubscriptions, will be reserved for subscription by clients of the Joint Lead Managers, NZX Primary Market Participants and persons invited to participate in the Bookbuild. You should contact your broker for details of the application process for ASB Notes 2 as there is no public pool for ASB Notes 2. Applications delivered directly to the Registry without a stamp from a Joint Lead Manager, an NZX Primary Market Participant or a financial intermediary will be rejected.

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 may refuse all or part of your application without giving 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 2 to be allocated to you will also be final. You will not be allocated more ASB Notes 2 than can be purchased with the payment you have made. If ASB refuses your application 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 5 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 2 you specify in your application form (or such lesser amount which ASB may determine) on the terms and conditions set out in this Product Disclosure Statement (including the application form) and the Deed Poll (including the Terms).

Privacy Policy

If you apply for ASB Notes 2, 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 2, including sending you information concerning ASB, your ASB Notes 2 and other matters ASB considers may be of interest to you by virtue of your holding of ASB Notes 2 and in the event of a Conversion of your ASB Notes 2; (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. ASB, the Registry, their related companies and their agents may also disclose your personal information in situations where they are required or permitted to do so by any applicable law or by a governmental, judicial or regulatory entity or authority in any jurisdiction.

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 Section 14 of this Product Disclosure Statement (*Contact information*). You can also access your information on the Registry's website: www.investorcentre.com/nz (you will need your Common Shareholder Number (CSN) and Authorisation Code (FIN) to register on the Investor Centre or your User ID and password if you have previously registered).

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 ASB Notes 2 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.

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

Applications using the wrong form of name may be rejected.

B Application payment

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

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

Complete the amount of ASB Notes 2 applied for. Each ASB Note 2 has a Face Value of NZ\$1.00. The minimum amount of ASB Notes 2 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 2 applied for. Payment may be made by direct debit or cheque or through the NZClear System, and will be held in trust by ASB until ASB Notes 2 are issued 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) 488 8777 during the Offer Period.

Option 2: Cheque

If you choose to pay by cheque your cheque should be made payable to "ASB Subordinated Notes 2 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 and the Registry will be able to deliver your investor correspondence, including your transaction statements, to you electronically. This is a much more environmentally friendly, cost effective and timely option than paper-based investor mailing. If you do not supply your email address, you will receive all correspondence by mail.

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 ASB (or the Registry on its behalf) is satisfied that you hold a valid RWT exemption certificate at least 10 business days prior to the relevant interest payment or you are not tax resident in New Zealand and you do not carry on business in New Zealand through a fixed establishment in New Zealand). 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 Product Disclosure Statement and application form carefully and sign and date the application form.

The application form must be signed by the applicant(s) personally, or if the applicant is a company or other entity, by a duly authorised person in accordance with any applicable constitution or governing document, 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 non-revocation of agent on the reverse of the application form.

Joint applicants must each sign the application form.

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 on the reverse of this application form. If this application form is signed by an agent, the agent must complete the certificate of non-revocation of agent set out on the reverse of this application form.

By signing this application form:

- (a) I/we agree to subscribe for ASB Notes 2 upon and subject to the terms and conditions of the PDS, this application form and the Deed Poll (including the Terms) and I/we agree to be bound by the provisions thereof. I/we agree to accept ASB Notes 2 applied for or any lesser amount that may be issued to me/us;
- (b) I/we confirm that I/we have received, read and understood the PDS;
- (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 have been 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;

- (f) I/we acknowledge that the PDS only constitutes an offer of ASB Notes 2 to retail investors in New Zealand and to certain New Zealand and overseas institutional investors. Neither ASB nor CBA has taken or will take any action which would permit a public offering of ASB Notes 2, 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 2 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, product disclosure statement, circular, advertisement or other offering material in respect of ASB Notes 2 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 and regulations;
- (g) by applying for ASB Notes 2, I/we warrant that I/we received this offer in New Zealand and I/we are eligible to participate in the Offer or am/are an investor in a jurisdiction where ASB Notes 2 may be lawfully offered in compliance with all applicable laws and regulations. I/we agree to indemnify ASB, the Joint Lead Managers and the Arrangers and their respective directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred by any of them as a result of my/our breaching that warranty or the selling restrictions described in the PDS;
- (h) each applicant agrees to provide their financial adviser, ASB and their agents with all requested due diligence information that is required to satisfy applicable laws, such as the customer due diligence obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009; and
- (i) each applicant agrees that their financial adviser may provide ASB and its agents with all due diligence information that is held by, or later provided to, their financial adviser in relation to it that is required by ASB to satisfy applicable laws, including the customer due diligence obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.

DATE:

D	D	M	M	Y	Y	Y	Y
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YOUR APPLICATION FORM AND PAYMENT MUST BE RECEIVED BY THE REGISTRY AT THE ADDRESS BELOW BY 5.00PM (AUCKLAND, NEW ZEALAND TIME) ON 25 NOVEMBER 2016:

Post:

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142

Or deliver to:

Level 2, 159 Hurstmere Road
Takapuna
Auckland

Note: All applications must be returned to your broker in time for them to send your application to the Registry by 5.00pm (Auckland, New Zealand time) on 25 November 2016.

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 appointed you as 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 2 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 2 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.



