

## OTHER INFORMATION

*This document contains other information that is material to the Offer but which is not contained elsewhere in the product disclosure statement ("**PDS**") or the Disclose register entry. Capitalised terms used but not defined in this document have the meanings given to them in the PDS.*

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## 1. OTHER MATERIAL RISKS

Section 6 (*Risks of investing*) of the PDS explains that there are material risks which could affect the performance of ASB Notes 2. 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, are described below.

### 1.1 Additional general risks associated with an investment in ASB Notes 2

#### ***If your ASB Notes 2 are Converted, CBA Ordinary Shares may not be quoted on ASX***

The CBA Ordinary Shares that will be issued on Conversion are of the same class as CBA's ordinary shares that, as at the date of the PDS, are quoted on ASX. However, the CBA Ordinary Shares issued on Conversion and CBA Ordinary Shares generally may not be quoted, in which case Holders may not be able to sell them at an acceptable price, or at all. Holders are obliged to accept the CBA Ordinary Shares issued to them on Conversion, even if the CBA Ordinary Shares are not quoted on ASX at the time of issue (or at all).

#### ***The market price of ASB Notes 2 will fluctuate***

Section 6.2 of the PDS (*General risks*) explains that the market price of ASB Notes 2 may fluctuate up or down and ASB Notes 2 may trade below their Face Value. Various factors may cause the market price of ASB Notes 2 on the NZX Debt Market to fluctuate, including:

- factors that affect the creditworthiness of ASB or CBA as described in Section 6.3 (*Specific risks relating to ASB's and CBA's creditworthiness*) of the PDS;
- changes in New Zealand and international economic conditions, interest rates, credit margins, inflation rates and foreign exchange rates;

- movements in the market price of equity and/or other debt issued by ASB, CBA or by other issuers;
- changes in investor perceptions and sentiment in relation to ASB, CBA or the financial services industry; and
- other major New Zealand and international events such as hostilities and tensions, and acts of terrorism.

## **1.2 Additional 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.

Other circumstances that may also affect the businesses of ASB and CBA, and therefore the financial performance and position of ASB and CBA, are described below.

### ***ASB and CBA may be adversely affected by exchange rates***

A significant proportion of ASB's and CBA's wholesale funding is raised in international capital markets in currencies other than New Zealand dollars or Australian dollars. This exposes ASB and CBA to exchange rate risk as the currency in which each of ASB and CBA reports its financial position is New Zealand dollars and Australian dollars respectively. Each of ASB and CBA hedges its funding to minimise this risk.

Similarly, a proportion of CBA's profits from its operations in jurisdictions other than Australia is earned in currencies other than Australian dollars. CBA hedges these profits where appropriate. However, ASB's and CBA's ability to hedge at an acceptable price, or at all, may be affected by a disruption to global markets. ASB and CBA may change their hedging strategy at that time and there is no guarantee that ASB's or CBA's hedging strategy will be sufficient or effective. Each of ASB and CBA may also be affected if a hedge counterparty defaults on its obligations to it.

### ***ASB and CBA are subject to human capital risk***

ASB and CBA may be unable to attract, develop, motivate and retain human capital to meet current and future business needs. This could result in poor financial and customer outcomes arising from a reduced ability to deliver against customer and other stakeholder expectations.

### ***ASB and CBA are subject to intense competition which may adversely affect their performance***

ASB and CBA face intense competition in all of their businesses and jurisdictions in which they conduct business. This may affect profit margins, make businesses unsustainable, result in loss of key personnel, and adversely affect their performance and opportunities for growth.

### ***Acquisitions of other businesses, or divestments of existing businesses, by ASB or CBA may adversely affect their performance and financial position***

From time to time, each of ASB and CBA evaluate and undertake acquisitions of other businesses. There is a risk that ASB or CBA may not achieve expected synergies from the acquisition as a result of not having the requisite skills and capabilities for the new businesses, difficulties in integrating systems and processes, not achieving expected cost savings or otherwise incurring losses. This may adversely affect the performance and financial position of ASB or CBA (as applicable).

In addition, there is a risk that ASB or CBA may experience disruptions to its existing businesses resulting from difficulties in integrating the systems and processes of the acquired business, and

may lose customers and market share as a result. Multiple acquisitions at the same time may exacerbate these risks.

In relation to divestments, there is a risk that ASB or CBA may experience disruptions in the divestment process, including to existing businesses, which may cause customers to remove their business from ASB or CBA (as applicable).

ASB and CBA employ a range of acquisition evaluation, risk monitoring and risk mitigation techniques. However, those techniques and the judgements that accompany their use cannot anticipate every risk and outcome or the timing of such outcome.

### ***ASB and CBA may be adversely affected by catastrophic events***

CBA conducts business in many locations in many jurisdictions. ASB conducts business predominantly in New Zealand. If a catastrophic event (including fire, storm, flood, earthquake, pandemic or other widespread health emergency, civil unrest, war or terrorism) occurs in any of those locations, ASB or CBA may experience losses relating to property damage or disruptions to their business or their customers' businesses. This may affect the value of assets held by ASB or CBA or assets over which ASB or CBA holds security. ASB and CBA maintain a global insurance program for a number of these catastrophic risks. In addition, such events could affect market activity and confidence and cause disruption to global markets.

CBA operates general and life insurance businesses under various brands, including CommInsure in Australia and Sovereign in New Zealand, and may experience higher than expected losses as a result of paying claims. CBA re-insures these risks where appropriate.

### ***Powers of a statutory manager and of the RBNZ or APRA***

In certain circumstances, the RBNZ or APRA may appoint a statutory manager to take control of the business of a registered bank or authorised deposit-taking institution, including ASB or CBA (as applicable). The statutory manager has specific powers to take certain actions which may affect the ongoing operation of ASB or CBA, and therefore its financial position, which is relevant to ASB Notes 2.

## **1.3 Additional risks associated with ASB Notes 2 specifically**

### ***ASB may amend the Deed Poll (including the Terms) and Holders will be subject to the amended Terms***

ASB may amend the Deed Poll (including the Terms) in two ways:

- without the consent of Holders and subject to compliance with relevant laws – as set out in the Terms, including if the amendment is of a formal, technical or minor nature; to correct a manifest error; to enable quotation; where there is no material prejudice to the Holders as a whole; or to enable the substitution of a NOHC as the issuer of ordinary shares on Conversion provided certain substitution conditions are satisfied; and
- with the consent of Holders – if a Special Resolution is passed.

Certain amendments may require ASB to first obtain approval from the RBNZ and/or APRA. This is at the discretion of the RBNZ and/or APRA and may not be given.

Subject to obtaining approval from the RBNZ and/or APRA (if required), ASB can amend the Co-ordination Agreement without the consent of Holders.

Amendments made in accordance with the Deed Poll and Co-Ordination Agreement are binding on you even if you did not agree with the amendment. The amendments made may not coincide with your individual preferences.

### ***CBA may substitute for itself a NOHC***

CBA may, subject to APRA and RBNZ approval, substitute for itself a NOHC as the issuer of ordinary shares on Conversion. This means you will receive ordinary shares in the NOHC on Conversion, rather than CBA. This means you would no longer have any rights against CBA.

Although not currently contemplated, the implementation of a NOHC structure may involve CBA selling some but not all of its business, and other subsidiaries, to the NOHC or a subsidiary of the NOHC. As a result, the profits and net asset position of CBA and the NOHC may be different to that of CBA prior to the NOHC structure being implemented.

Prior to Conversion, your claims to interest and the Face Value of ASB Notes 2 continue to be against ASB, even after the substitution of a NOHC (as the issuer of ordinary shares on Conversion) has occurred.

If ASB Notes 2 are Converted following such a substitution, you will become a holder of ordinary shares of the NOHC and will rank equally with all other NOHC ordinary shareholders in a winding up of the NOHC.

### ***Holders have no rights if control of ASB or CBA changes***

You do not have any rights if the control of ASB changes (including where CBA no longer controls ASB), or the control of CBA changes (other than the substitution of a NOHC). In particular, you do not have a right to require early repayment of your ASB Notes 2 for any reason. There is a risk that ASB or CBA may be managed differently to the way in which they are currently managed. In addition, CBA Ordinary Shares (which would be received on the occurrence of a Non-Viability Trigger Event) may no longer be quoted on ASX.

### ***Risk of FATCA withholding***

There is a risk that Holders may be subject to withholding and information reporting under the Foreign Account Tax Compliance Act ("**FATCA**").

The objective of the FATCA is to target tax non-compliance by US taxpayers with foreign financial assets, and requires reporting of such financial assets by third parties.

In order to comply with FATCA, it is possible that ASB (or, if ASB Notes 2 are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the United States Internal Revenue Service ("**IRS**") or otherwise under applicable law) to request certain information from Holders or beneficial owners of ASB Notes 2, which information may in turn be provided to the IRS or other relevant tax authority.

If ASB or any other person is required to withhold amounts under or in connection with FATCA from any payments made in relation to ASB Notes 2, as a result of Holders and beneficial owners of ASB Notes 2 not providing the required information or documentation, Holders and beneficial owners of ASB Notes 2 will not be entitled to receive any gross up or additional amounts to compensate them for such withholding.

This information is based on guidance issued by the IRS or other relevant tax authority as at the date of the PDS. Future guidance may affect the application of FATCA to ASB, Holders or beneficial owners of ASB Notes 2.

## 2. TAX

The returns on ASB Notes 2 will be affected by taxes. Section 7 (*Tax*) of the PDS describes some of the New Zealand tax consequences of holding ASB Notes 2. Additional information is set out below.

### ***New Zealand tax consequences of ASB Notes 2 for Holders who are not tax resident in New Zealand - proposed change in law***

Under the law in force as at the date of the PDS, New Zealand non resident withholding tax ("**NRWT**") applies to interest paid to a Holder who is not a tax resident in New Zealand except where the Holder carries on business through a fixed establishment in New Zealand in which case the New Zealand resident withholding tax ("**RWT**") rules are applicable (irrespective of the location in which the relevant ASB Notes 2 are held).

There is a proposed law change which would mean that rather than RWT, the NRWT rules would apply to a Holder if that Holder:

- is not a resident of New Zealand for New Zealand income tax purposes; and
- does not hold ASB Notes 2 in connection with a business carried on by that Holder through a fixed establishment in New Zealand.

In relation to ASB Notes 2, the changes would apply to interest payments made in financial years of ASB commencing more than 5 years after enactment of the amending legislation.

### ***New Zealand tax consequences - approved issuer levy***

As described in Section 7 (*Tax*) of the PDS, ASB will deduct approved issuer levy ("**AIL**") in substitution for NRWT if it lawfully able to do so, unless a Holder requests that NRWT (not AIL) is deducted from such interest.

As at the date of the PDS, AIL is applicable at a 2% rate. If, as the result of a change in law, the ASB Tier 2 Notes become eligible to have AIL applied at a 0% rate, ASB intends to take the steps necessary to apply the 0% rate, in which case ASB will not deduct any amount from the interest payable to you on account of AIL or NRWT.

### ***New Zealand tax consequences of CBA Ordinary Shares acquired on Conversion***

If any of your ASB Notes 2 are Converted into CBA Ordinary Shares, any dividends you receive on your CBA Ordinary Shares will generally be taxable to you. As at the date of the PDS, New Zealand does not have a capital gains tax. However, depending on your particular circumstances, any gains (or losses) you make on the sale or other disposal of your CBA Ordinary Shares may be taxable (or deductible) for income tax purposes.

### ***Australian tax consequences of CBA Ordinary Shares acquired on Conversion***

The information set out below relates solely to Australian taxation and is based on the law in force at the date of the PDS.

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

New Zealand resident Holders should generally not be subject to Australian tax on any gain realised on disposal of their CBA Ordinary Shares.

**If you have any questions regarding the tax consequences of investing in ASB Notes 2 or CBA Ordinary Shares acquired on Conversion you should seek advice from a tax adviser.**

### **3. WAIVERS FROM ASX**

Although ASB Notes 2 will not be quoted on the ASX, ASX has confirmed that:

- ASX Listing Rule 7.1 has been waived to permit CBA to issue CBA Ordinary Shares following a Non-Viability Trigger Event in accordance with the Terms without CBA shareholder approval;
- ASX Listing Rule 10.11 has been waived to permit related parties (e.g. directors) of CBA to acquire CBA Ordinary Shares following a Non-Viability Trigger Event without CBA shareholder approval; and
- ASB Notes 2 will be classified as debt securities for the purposes of ASX Listing Rule 19.12.

ASX takes no responsibility for the contents of this register entry or the PDS.

### **4. TOTAL ESTIMATED COSTS OF OFFER AND ISSUE**

ASB estimates that the total costs it will incur in connection with the Offer and issue of ASB Notes 2 will be NZ\$4.7 million (assuming NZ\$250 million of ASB Notes 2 are issued under the Offer and that all ASB Notes 2 are distributed by the Joint Lead Managers to retail investors). This includes syndicate fees, legal fees, registry, printing, distribution and promotion expenses and any other fees or expenses that ASB expects to incur in connection with the Offer.

The amount of the fees payable by ASB in connection with the Offer in respect of syndicate fees will vary depending on the amount raised under the Offer and the amount of ASB Notes 2 allocated in respect of firm allocations.

ASB estimates that the total of the syndicate fees it will pay will be NZ\$3.75 million (assuming NZ\$250 million of ASB Notes 2 are issued under the Offer and that all ASB Notes 2 are distributed by the Joint Lead Managers to retail investors).

The syndicate fees will be payable to the Arranger, the Joint Lead Managers and other intermediaries. The syndicate fees are payable for providing advice and assistance to ASB in connection with the arranging, managing and marketing of the Offer and distributing of ASB Notes 2.

### **5. IMPACT OF THE OFFER ON ASB AND CBA**

#### ***Impact of Offer on ASB***

Assuming the net proceeds raised by the issue of ASB Notes 2 are NZ\$250 million and using the method of calculation required by RBNZ's prudential standards, this would result in a pro forma increase to ASB's 30 June 2016 Total Capital ratio by approximately 50 basis points, from 13.3% to 13.8%. ASB will retain the net proceeds of the Offer and the issue of ASB Notes 2 does not otherwise materially affect ASB's financial position.

#### ***Impact of Offer on CBA***

Assuming the net proceeds raised by the issue of ASB Notes 2 are NZ\$250 million and using the method of calculation required by APRA's prudential standards, this would result in a pro forma increase to CBA's 30 June 2016 Total Capital ratio (on a Level 2 basis) amount by approximately

5 basis points, from 14.31% to 14.36%. None of the net proceeds of the Offer will be paid to CBA and the issue of ASB Notes 2 does not otherwise materially affect CBA's financial position.

If a Non-Viability Trigger Event occurs and CBA issues CBA Ordinary Shares, the impact of Conversion on CBA would be an increase in CBA's shareholders' equity. The number of CBA Ordinary Shares issued on Conversion is limited to the Maximum Conversion Number. The Maximum Conversion Number will be calculated on the issue date of ASB Notes 2 and, in specific circumstances, is subject to adjustment in accordance with the Terms.

## **6. ROLE OF THE ARRANGERS AND JOINT LEAD MANAGERS**

Section 10 (*Selling restrictions*) of the PDS describes the role of the Arrangers and Joint Lead Managers in relation to the Offer.

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.

This means that the Arrangers and Joint Lead Managers have not independently verified the information contained in the PDS or the Disclose register entry. As a result no Arranger or Joint Lead Manager accepts any liability in negligence or otherwise in relation to that information, except to the extent that the liability arises under the Financial Markets Conduct Act 2013 or otherwise cannot by law be disclaimed.