

# PROSPECTUS PERLS V

Perpetual Exchangeable Resaleable  
Listed Securities

**Joint Structuring Advisers:**

CommSec  
Macquarie

**Joint Lead Managers and Joint Bookrunners:**

ANZ Securities  
Citi  
CommSec  
Credit Suisse  
Deutsche Bank  
Goldman Sachs JBWere  
JPMorgan  
Macquarie  
Morgan Stanley  
National Australia Bank  
RBS  
UBS  
Westpac



**Determined** to be different

# Important Notices

## Prospectus

This Prospectus relates to the offer by Commonwealth Bank of Australia (ABN 48 123 123 124) ("Bank") of PERLS V at an Application Price of \$200 each to raise approximately \$900 million, with the ability to raise more or less. The Offer will be conducted by way of a Bookbuild, to Institutional Investors and brokers to the Offer, a Securityholder Offer and a General Offer (the "Offer").

PERLS V are securities comprising a Preference Share stapled to a Note, issued by the Bank.

The Prospectus is for the issue of PERLS V to the Initial Holder and the transfer of those PERLS V to successful Applicants.

This Prospectus is dated 28 August 2009 and a copy of this Prospectus was lodged with the Australian Securities and Investments Commission ("ASIC") on that date. The Expiry Date of this Prospectus is 28 September 2010. No PERLS V will be issued or transferred on the basis of this Prospectus after the Expiry Date.

ASIC and ASX Limited ("ASX") take no responsibility for the contents of this Prospectus.

PERLS V are not PERLS II, PERLS III or PERLS IV. See Section 1.3 "What are the differences between PERLS V and PERLS II, PERLS III and PERLS IV?".

## Status of PERLS V

**Investments in PERLS V are not savings accounts or deposit liabilities of the Bank. PERLS V are not subject to the depositor protection provisions of Australian banking legislation. PERLS V do not represent a deposit liability of the Bank or the Bank's New Zealand branch for the purposes of the Banking Act of 1959 nor are they guaranteed or insured by any government agency or compensation scheme of Australia, New Zealand or any other jurisdiction. PERLS V are a primary obligation of the Bank.**

**PERLS V are not secured. Investment-type products are subject to investment risk, including possible delays in repayment and loss of income and principal invested. Neither the Bank nor any associate of the Bank in any way guarantees the capital value and/or the performance of PERLS V or any particular rate of return.**

## Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings. These words and expressions are capitalised and are defined in the Glossary in Appendix C.

The definitions specific to PERLS V are in clause 1.1 of the Preference Share Terms and clause 1.1 of the Note Terms.

A reference to \$ or cents in this Prospectus is a reference to Australian currency. A reference to time in this Prospectus is a reference to Sydney, New South Wales, Australia time.

## No representations other than in this Prospectus

No person is authorised to provide any information or to make any representations in connection with the Offer that are not contained in this Prospectus. Any information or representations not contained in this Prospectus may not be relied upon as having been authorised by the Bank in connection with the Offer.

Except as required by law, and only to the extent that it is required by law, neither the Bank nor any other person warrants the future performance of the Bank, PERLS V, or any return on any investment made by you under this Prospectus.

The pro-forma financial information provided in this Prospectus is for information purposes only and is not a forecast of operating results to be expected in future periods.

## This Prospectus does not provide investment advice

The information provided in this Prospectus is not investment advice and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). It is important that you read this Prospectus in full before deciding whether to invest in PERLS V and consider the risk factors that could affect the performance of PERLS V or the Bank. Important risk factors in relation to investing in PERLS V that you should consider are in Section 3 "Risks of Investing in PERLS V". You should carefully consider these risk factors in light of your investment objectives, financial situation or particular needs (including financial and taxation issues) and seek professional advice from your financial adviser or other professional adviser before deciding whether to invest in PERLS V.

## Restrictions on foreign jurisdictions

The Offer is available to persons receiving this Prospectus in Australia. Due to regulatory requirements, the invitation to apply for PERLS V is not extended to investors (including holders of Bank Ordinary Shares, PERLS III or PERLS IV or former holders of PERLS II) located or resident outside Australia, other than certain Institutional Investors outside Australia at the sole discretion of the Bank and the Joint Lead Managers, and in compliance with applicable laws in the relevant jurisdictions. Please refer to Section 7.4 "Restrictions on foreign jurisdictions" for details.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. If you are a potential investor in any jurisdiction outside Australia and you come into possession of this Prospectus you should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

In particular, PERLS V have not been and will not be registered under the US Securities Act or the laws of any State of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, US Persons. Except as otherwise agreed with the Bank, each of the Joint Lead Managers and brokers to the Offer must not offer, sell or deliver PERLS V within the United States or to, or for the account or benefit of, US Persons, and is required to send each dealer to which it sells PERLS V during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of PERLS V within the United States or to, or for the account or benefit of, US Persons. Terms used in this paragraph have the meanings given to them by Regulation S under the US Securities Act.

In addition, until 40 days after the date on which PERLS V are Allocated under the Offer, an offer or sale of PERLS V within the United States by any dealer that is not participating in the Offer may violate the registration requirements of the United States.

## Exposure Period

The Corporations Act prohibits the acceptance of Applications during the seven day period after the date this Prospectus was lodged with ASIC. This period is referred to as the Exposure Period and ASIC may extend this period by up to a further seven days (that is up to 14 days in total).

The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants before the Opening Date. Application Forms will not be processed during the Exposure Period.

## How to obtain a Prospectus and Application Form

Printed copies of the Prospectus with an Application Form attached will be available

free of charge during the Offer Period by calling the **PERLS V Information Line on 1800 022 440** (Monday to Friday 8.30am – 7.30pm, Sydney Time).

This Prospectus will also be available electronically at [www.comsec.com.au](http://www.comsec.com.au). If you access an electronic copy of this Prospectus, then you should ensure that you download and read the entire Prospectus.

## Applications for PERLS V

Applications for PERLS V under the Prospectus may only be made before the Closing Date, and on an Application Form attached to, or accompanying, this Prospectus (including an electronic copy). Applications may be made either online at [www.comsec.com.au](http://www.comsec.com.au), or by returning the Application Form as detailed in Section 2 "Details of the Offer".

You should read the Prospectus in full before deciding to apply for PERLS V. If, after reading the Prospectus, you are unclear or have any questions about the Offer, then you should consult your financial adviser or other professional adviser.

For information on who is eligible to apply for PERLS V under the Offer and how to make an Application – see pages 5 and 6 for a summary and Section 2 "Details of the Offer" for full details.

## Electronic access to Prospectus and Applications

The following conditions apply if this Prospectus is accessed and/or an Application is made electronically:

- you must download the Prospectus in full from [www.comsec.com.au](http://www.comsec.com.au);
- your Application will only be considered where you have applied on an Application Form that accompanied the electronic Prospectus. By making an Application, you declare that you were given access to the electronic Prospectus together with the Application Form; and
- the Prospectus is available electronically to persons accessing and downloading or printing the electronic version of the Prospectus in Australia.

## No withdrawal of Application

You cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.

## Refunds

If you are Allocated less than the number of PERLS V that you applied for, you will receive a refund cheque as soon as possible after the Closing Date.

## NO INTEREST WILL BE PAYABLE ON APPLICATION MONIES THAT ARE REFUNDED Trading in PERLS V

It is your responsibility to determine your Allocation before trading in PERLS V to avoid the risk of selling PERLS V you do not own. To assist you in determining your Allocation before the receipt of your Holding Statement, you may call the **PERLS V Information Line on 1800 022 440** (Monday to Friday 8.30am – 7.30pm, Sydney Time). If you sell PERLS V before you receive confirmation of your Allocation, you do so at your own risk.

## Providing personal information

You will be asked to provide personal information to the Bank (directly or via the Registry) if you apply for PERLS V. See Section 7 "Additional Information" for information on how the Bank (and the Registry on its behalf) collects, holds and uses this personal information. You can also obtain a copy of that policy at [www.commbank.com.au](http://www.commbank.com.au).

## Enquiries

If you have any questions in relation to the Offer, please call the **PERLS V Information Line on 1800 022 440** (Monday to Friday 8.30am – 7.30pm, Sydney Time).

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# Summary of Key Dates

<b>Key dates for the Offer</b>	<b>Date</b>
Lodgement of Prospectus with ASIC	Friday, 28 August 2009
Bookbuild	Friday, 4 September 2009
Opening Date for the Offer	Monday, 7 September 2009
Closing Date for the Offer	5.00pm (Sydney Time), Friday, 2 October 2009
Commencement of conditional and deferred settlement trading	Tuesday, 13 October 2009
Issue Date	Wednesday, 14 October 2009
Commencement of unconditional and deferred settlement trading	Thursday, 15 October 2009
Dispatch of Holding Statements	Monday, 19 October 2009
Commencement of trading on normal settlement basis	Tuesday, 20 October 2009
<b>Key dates for PERLS V</b>	<b>Date</b>
First Distribution Payment Date <sup>1</sup>	Monday, 1 February 2010
Initial Conversion Date <sup>2</sup>	Friday, 31 October 2014

Notes:

<sup>1</sup> Distributions are scheduled to be paid at the end of each quarterly Distribution Period (on 31 January, 30 April, 31 July and 31 October each year) subject to the Payment Tests (see Section 1.4.9 "Will Distributions always be paid?"). If any of these scheduled dates is not a Business Day, then the Distribution Payment Date will occur on the next Business Day. The first Distribution Payment Date is 1 February 2010 as 31 January 2010 is not a Business Day.

<sup>2</sup> Conversion can only occur on this date if certain conditions are satisfied (see Section 1.5.8 "What are the Conversion Conditions?").

## Dates may change

These dates for the Offer are indicative only and are subject to change without notice. The Bank has the right, in consultation with the Joint Lead Managers, to vary the timetable, including to close the Offer early, close the General Offer, the Securityholder Offer or the Broker Firm Offer separately, extend the Closing Date without notice, or to withdraw the Offer at any time prior to Allotment of PERLS V, or to accept late Applications, whether generally or in particular cases. If any of the dates are changed, subsequent dates may also be changed accordingly. You are encouraged to submit your Application as soon as possible after the Opening Date.

## Quotation

The Bank will apply to ASX within seven days after the date of this Prospectus for PERLS V to be quoted on ASX.

## Applications

No Applications for PERLS V will be processed (and no PERLS V will be issued) until seven days after this Prospectus is lodged with ASIC. ASIC may extend that period for up to a further seven days.

# PERLS V Key Features

## What are PERLS V?

- PERLS V is an acronym for **Perpetual Exchangeable Resaleable Listed Securities** (“**PERLS V**”), which are stapled securities comprising:
  - an unsecured subordinated Note issued by the Bank’s New Zealand branch; and
  - a Preference Share issued by the Bank.
- These two securities cannot generally be traded separately.

## Floating rate Distributions

- PERLS V entitle Holders to quarterly Distributions, expected to be fully franked, that are subject to the Payment Tests.
- Distributions are expected to comprise Interest on the Notes.
- The Distribution Rate will be calculated each quarter as the Bank Bill Swap Rate plus the Margin of 3.40%, together multiplied by (1 – Tax Rate).
- Assuming the Bank Bill Swap Rate is 3.2800%<sup>1</sup>, the cash Distribution received by a Holder would be 4.6760% per annum (assuming Distributions are fully franked). The fully franked Distribution Rate of 4.6760% per annum would be equivalent to an unfranked Distribution Rate of 6.6800% per annum if the potential value of the franking credits is taken into account in full.
- However, Holders should be aware that the ability of a Holder to use franking credits will depend on their individual position and that the potential value of franking credits does not accrue at the same time as the cash Distribution is received<sup>2</sup>.
- Distributions are non-cumulative. If a Distribution or part of a Distribution is not paid on a Distribution Payment Date, Holders have no claim or entitlement in respect of non-payment nor any right to receive that Distribution at any later time.
- Distributions are discretionary. If Distributions are not paid on PERLS V, a Dividend Stopper will restrict the Bank from paying dividends, interest or distributions or returning capital on Bank Ordinary Shares and certain other securities.

### Notes:

<sup>1</sup> The Bank Bill Swap Rate on 20 August 2009 was 3.2800% per annum.

<sup>2</sup> See the Taxation Letter from Greenwoods & Freehills in Section 5 “Taxation Information”.

# PERLS V Key Features

## Exchange

PERLS V are expected to be Exchanged on 31 October 2014 (being the Initial Conversion Date) by one of the following methods.

### Resale

- The Bank may arrange a Resale, where the Purchaser will acquire all PERLS V for \$200 (the Face Value) each.

### Conversion

- If Resale does not occur, PERLS V will Convert into a variable number of Bank Ordinary Shares worth approximately \$202.02<sup>1</sup> if the Conversion Conditions are satisfied.

### Repurchase

- If Resale and Conversion have not occurred, the Bank may, subject to APRA's prior written approval, elect to Repurchase all PERLS V for \$200 (the Face Value) each.

If PERLS V are not Exchanged on the Initial Conversion Date, the same possible outcomes will apply to each subsequent Distribution Payment Date until Exchange occurs.

## Optional Exchange

- Holders have no right to request Exchange.
- The Bank may, subject to APRA's prior written approval, Exchange all PERLS V if a Tax Event, Regulatory Event or NOHC Event occurs.
- PERLS V must, subject to APRA's approval, be Exchanged if an Acquisition Event occurs.

## Quoted on ASX

- The Bank will apply to have PERLS V quoted on ASX and they are expected to trade under ASX code CBAPA.
- The Bank will refund all Application Monies if PERLS V are not quoted on ASX.

**No interest will be payable on Application Monies. Any interest earned on the Application Monies will be retained by the Bank.**

## PERLS V are different to PERLS II, PERLS III and PERLS IV

- PERLS V differ in several respects from PERLS II, PERLS III and PERLS IV. See Section 1 "Key Questions about PERLS V" for further details.

## Risks

- There are risks involved in an investment in PERLS V. See Section 1 "Key Questions about PERLS V" and Section 3 "Risks of Investing in PERLS V" for further details.

## Credit ratings

- Standard & Poor's has rated the Bank "AA (stable outlook)" and has indicated it will rate PERLS V "A+". See Section 3.1.14 and Section 4.7 for a discussion of ratings.

Note:

<sup>1</sup> The number of Bank Ordinary Shares will be based on a VWAP which may differ from the Bank Ordinary Share price on or after Conversion. Accordingly, the value of Bank Ordinary Shares received on Conversion of each PERLS V may be more or less than \$202.02, reflecting the 1% discount – see Section 1.5.10.

# Applying for PERLS V

If you wish to apply for PERLS V, you should read this Prospectus (including the risk factors in Section 3 “Risks of Investing in PERLS V”) and if you are unclear in relation to any matter or uncertain if PERLS V are a suitable investment, you should consult your financial adviser or other professional adviser.

## **Securityholder Applicants**

You are an Eligible Securityholder if you:

- were a registered holder of PERLS II on 16 March 2009, when PERLS II were redeemed;
- are a holder of PERLS III;
- are a holder of PERLS IV; or
- are a holder of Bank Ordinary Shares,

in each case with a registered Australian address. To be an Eligible Securityholder, you will also need to meet the general eligibility requirements outlined in Section 7.4 “Restrictions on foreign jurisdictions”.

If you are an Eligible Securityholder, you may apply for PERLS V under the Securityholder Offer by completing the Application Form accompanying the Prospectus and indicating that you are an Eligible Securityholder. Eligible Securityholders may also apply for PERLS V under the Securityholder Offer over the internet – you will need to go to [www.commsec.com.au](http://www.commsec.com.au) and follow the instructions. You will need to supply your SRN or HIN.

If you apply under the Securityholder Offer, you will receive priority over General Applicants if there is excess demand for PERLS V.

You may also apply for PERLS V under the Broker Firm Offer by contacting your broker or apply under the General Offer.

## **Broker Firm Applicants**

If you are a Broker Firm Applicant, you should contact your broker for instructions on how to submit your Application Form.

You may also apply for PERLS V under the General Offer, or, if you are eligible, under the Securityholder Offer.

## **Other Applicants**

If you are not an Eligible Securityholder and do not have a Broker Firm Allocation, you may apply for PERLS V through the General Offer by completing the Application Form or by applying online at [www.commsec.com.au](http://www.commsec.com.au).

The General Offer will have a maximum size of \$50 million.

# Applying for PERLS V

## **Closing Date**

The Offer is expected to close at 5.00pm (Sydney Time) 2 October 2009. If you are applying under the Securityholder Offer or General Offer, your Application Form must be received by the Registry or submitted online no later than 5.00pm (Sydney Time) 2 October 2009.

If you are applying under the Broker Firm Offer, you should contact your Broker and return your Application Form to your Broker in accordance with their instructions.

The Closing Date is indicative only and is subject to change without notice. The Bank has the right, in consultation with the Joint Lead Managers, to vary the timetable, including closing the Offer early. It is possible that the General Offer may close prior to the Securityholder Offer. Therefore, if you wish to apply for PERLS V, you should submit your Application as soon as possible after the Offer opens.

By submitting a valid Application Form, the Applicant acknowledges having received and read this Prospectus. In consideration of the Bank considering your Application, you cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.

## **Allocation Policy**

Applications (excluding Applicants under the Broker Firm Offer) may be subject to scaling back. This may include scaling back to below the minimum Application of 25 PERLS V (\$5,000). Some Applications may be rejected.

## **Enquiries**

**For more information on how to apply for PERLS V, please refer to Section 2 “Details of the Offer”.**

If you have any questions on how to apply for PERLS V, or require additional copies of this Prospectus, you should contact the **PERLS V Information Line on 1800 022 440** (Monday to Friday 8.30am – 7.30pm, Sydney Time) or your broker.



# Section 1

## Key Questions about PERLS V

This Section answers some key questions you may have about PERLS V.

The answers to these key questions are intended as a guide only.

Further details are provided elsewhere in this Prospectus, which you should read in its entirety.

The Preference Share Terms and the Note Terms are set out in Appendix A and Appendix B (respectively).

# Section 1

## Key Questions about PERLS V

Topic	Summary	Where to find more information
<b>1.1 Description of PERLS V</b>		
<p>1.1.1 <b>What are PERLS V?</b></p>	<p>PERLS V is an acronym for <b>Perpetual Exchangeable Resaleable Listed Securities</b>, which are stapled securities, comprising:</p> <ul style="list-style-type: none"> <li>• an unsecured subordinated Note issued by the Bank's New Zealand branch; and</li> <li>• a Preference Share issued by the Bank.</li> </ul> <p>These instruments cannot be traded separately before an Assignment Event Date.</p> <p>PERLS V:</p> <ul style="list-style-type: none"> <li>• pay floating rate Distributions quarterly in arrears, subject to the Payment Tests;</li> <li>• may be Resold for \$200 each at the election of the Bank on 31 October 2014, the Initial Conversion Date;</li> <li>• if not Resold on the Initial Conversion Date, will Convert into Bank Ordinary Shares worth approximately \$202.02<sup>1</sup> if the Conversion Conditions are satisfied;</li> <li>• if not Resold and not Converted on the Initial Conversion Date, may be Repurchased for \$200 each, subject to APRA's prior written approval;</li> <li>• may, at the election of the Bank, be Exchanged in limited circumstances;</li> <li>• on a winding-up of the Bank, will rank in effect<sup>2</sup> as preference shares issued by the Bank and will rank ahead of Bank Ordinary Shares, but behind creditors of the Bank<sup>3</sup>.</li> </ul> <p>Notes:</p> <p>1 The number of Bank Ordinary Shares will be based on a VWAP which may differ from the Bank Ordinary Share price on or after Conversion. Accordingly, the value of Bank Ordinary Shares received on Conversion of each PERLS V may be worth more or less than \$202.02, reflecting the 1% discount – see Section 1.5.10.</p> <p>2 See Section 1.9.2 "How do PERLS V rank on winding-up?"</p> <p>3 The terms of the claims of some creditors may mean that they effectively rank equally with or behind PERLS V.</p>	<p>Sections 1.4, 1.5, 1.6, 3.1.13</p>
<p>1.1.2 <b>Do PERLS V have an independent credit rating?</b></p>	<p>Standard &amp; Poor's has indicated that PERLS V will, on issue, be assigned an issue credit rating of "A+" by Standard &amp; Poor's. As the Standard &amp; Poor's issue credit rating is higher than "BBB–" the issue is considered "Investment Grade" in capital markets.</p>	<p>Sections 3.1.14 and 4.7</p>
<p>1.1.3 <b>Can PERLS V be purchased or sold on ASX?</b></p>	<p>The Bank will apply for PERLS V to be quoted on ASX within seven days of lodgement of the Prospectus. Quotation is not guaranteed or automatic. Once quoted, PERLS V can be purchased or sold through any stockbroker. It is expected that PERLS V will trade under ASX code CBAPA. The Bank will refund all Application Monies without interest if PERLS V are not quoted on ASX within three months (or any longer period permitted by law) after the date of this Prospectus.</p>	<p>Section 2.7</p>
<p>1.1.4 <b>Are PERLS V perpetual?</b></p>	<p>PERLS V do not have a fixed maturity date and are effectively perpetual instruments. However, on 31 October 2014, PERLS V may be Resold for \$200 each at the election of the Bank, or PERLS V will Convert to Bank Ordinary Shares (if the Conversion Conditions are satisfied). If Resale and Conversion has not occurred, the Bank may, subject to APRA's prior written approval, elect to Repurchase all PERLS V for \$200 each.</p>	<p>Sections 1.5 and 3.1.5</p>

# Section 1

## Key Questions about PERLS V

Topic	Summary	Where to find more information
<b>1.2 The Offer and Applications</b>		
1.2.1 <b>What is the Offer?</b>	The Offer is for the issue of approximately 4.5 million PERLS V with an Application Price of \$200 each to raise approximately \$900 million, with the ability to raise more or less. The Offer will be conducted by way of a Bookbuild, to Institutional Investors and brokers to the Offer, a Securityholder Offer and a General Offer. The General Offer will have a maximum size of \$50 million.	Section 2
1.2.2 <b>What am I required to pay?</b>	The Application Price for each PERLS V is \$200. No further cash payments are required. The minimum number of PERLS V that can be applied for is 25 (requiring a minimum investment of \$5,000). Applications for more than the minimum application amount must be in multiples of 5 PERLS V (\$1,000).	Section 2.5
1.2.3 <b>What will the Bank do with the proceeds of the Offer?</b>	Upon issue, PERLS V will constitute Non-Innovative Residual Tier 1 Capital of the Bank. The issue of PERLS V will provide capital, funding and contribute to the continuing financial strength of the Bank. See Section 4 "Information about the Bank" for a description of the Bank's capital position.	Sections 3.1.16 and 4
1.2.4 <b>What is Non-Innovative Residual Tier 1 Capital?</b>	Under APRA's capital adequacy standards for banks, Tier 1 Capital consists of Fundamental Tier 1 Capital and Residual Tier 1 Capital (divided into innovative and non-innovative) less Tier 1 deductions. Under these APRA standards, mandatory convertible preference shares can qualify as Non-Innovative Residual Tier 1 Capital if certain requirements are met. APRA has confirmed that PERLS V will be treated as Non-Innovative Residual Tier 1 Capital under the capital adequacy standards.	Section 3.1.16
1.2.5 <b>What are the taxation implications of investing in PERLS V?</b>	The taxation implications of investing in PERLS V will depend on an investor's individual circumstances. Prospective investors should obtain their own taxation advice. A general outline of the Australian taxation implications is included in the Taxation Letter from Greenwoods & Freehills in Section 5 "Taxation Information".	Sections 3.1.15 and 5
1.2.6 <b>Is brokerage or stamp duty payable?</b>	No brokerage or stamp duty is payable on Applications for PERLS V. Holders may have to pay brokerage on any subsequent transfer of PERLS V on ASX after quotation.	Section 2.4.5

## Section 1

# Key Questions about PERLS V

Topic	Summary	Where to find more information
<b>1.3 Comparison of PERLS II, PERLS III, PERLS IV and PERLS V</b>		
<b>1.3.1</b> <b>What are the differences between PERLS V and PERLS II, PERLS III and PERLS IV?</b>	<p>Three key differences are:</p> <ul style="list-style-type: none"><li>• PERLS III is a “step-up” security, whereas PERLS IV and PERLS V are convertible securities. The Bank can choose whether to exchange PERLS III on 6 April 2016 (the step-up date) or not, in which case the PERLS III margin will increase by 1.00% per annum to 2.05%. PERLS IV and PERLS V must be Exchanged on the initial conversion date unless the conversion conditions are not satisfied.</li><li>• The conversion conditions for PERLS IV and PERLS V include conditions based on a fall in the Bank Ordinary Share price from the time of issue. It is likely that the Bank Ordinary Share price upon the issue of PERLS V will be lower than that for PERLS IV. Therefore, it is more likely that PERLS V will satisfy the Conversion Conditions than PERLS IV.</li><li>• The Margin is 3.40% per annum for PERLS V, which is higher than under the terms of PERLS III and PERLS IV.</li></ul>	

## Section 1

# Key Questions about PERLS V

The following table provides a comparison of the key terms of PERLS II, PERLS III, PERLS IV and PERLS V, but is not exhaustive.

<b>Characteristic:</b>	<b>PERLS II</b>	<b>PERLS III</b>	<b>PERLS IV</b>	<b>PERLS V</b>
<b>Legal form:</b>	Unit in a trust	Preference share	Stapled security	Stapled Security
<b>Issuer:</b>	Commonwealth Managed Investments Limited	Preferred Capital Limited	The Bank	The Bank
<b>ASX code:</b>	PCBPA	PCAPA	CBAPB	CBAPA <sup>1</sup>
<b>S&amp;P credit rating:</b>	A+ <sup>2</sup>	A+	A+	A+ <sup>3</sup>
<b>Margin:</b>	Margin of 0.95% per annum	Initial margin of 1.05% per annum until the step-up date (6 April 2016) After the step-up date, the initial margin increases by a one time step-up of 1.00% per annum	Margin of 1.05% per annum There is no step-up in the margin	Margin of 3.40% per annum There is no step-up in the Margin
<b>Nature of distribution:</b>	Frankable floating rate distribution	Frankable floating rate dividend	Frankable floating rate distribution	Frankable floating rate distribution
<b>Assumed level of franking:</b>	100%	100%	100%	100%
<b>Rights if dividend or distribution is not fully franked:</b>	Exchange at next distribution date	Gross-up	Gross-up	Gross-up <sup>4</sup>
<b>Distributable Profits Test:</b>	Bank Group	Bank Group	Level 1 or Level 2 basis <sup>5</sup>	Level 1 or Level 2 basis <sup>5</sup>
<b>Possible Conversion to Ordinary Shares:</b>	The Bank could choose to convert into Bank Ordinary Shares on 16 March 2009	The Bank may choose to convert into Bank Ordinary Shares on 6 April 2016	Conversion to Bank Ordinary Shares on 31 October 2012 if the conversion conditions are satisfied	Conversion to Bank Ordinary Shares on 31 October 2014 if the Conversion Conditions are satisfied <sup>6</sup>
<b>Conversion Date:</b>	None	None	31 October 2012, where the conversion conditions are satisfied	31 October 2014, where the Conversion Conditions are satisfied
<b>Rollover date:</b>	16 March 2009 <sup>7</sup>	None	None	None
<b>Reset of terms:</b>	Yes	No	No	No
<b>Bank ordinary share price threshold for 1st Conversion Condition:</b>	N/A	N/A	\$33.05	56% of Issue Date VWAP (being approximately \$25.19) <sup>8</sup>
<b>Issuer repurchase rights (subject to prior written APRA approval):</b>	Yes, in certain specified circumstances	Yes, in certain specified circumstances	Yes, in certain specified circumstances	Yes, in certain specified circumstances
<b>Ranking in liquidation of the Bank:</b>	Exchange into Bank Ordinary Shares	Exchange into Bank Ordinary Shares	Ranks in effect as preference share	Ranks in effect as preference share <sup>9</sup>
<b>Tier 1 Capital:</b>	Innovative Residual Tier 1 Capital	Innovative Residual Tier 1 Capital	Non-Innovative Residual Tier 1 Capital	Non-Innovative Residual Tier 1 Capital
<b>Issue Date:</b>	6 January 2004	6 April 2006	12 July 2007	14 October 2009

Notes:

1 The Bank will apply to have PERLS V quoted on ASX and they are expected to trade under the code CBAPA.

2 As PERLS II have been redeemed, they no longer have a Standard & Poor's credit rating. At the time of redemption PERLS II were rated A+ by Standard & Poor's.

3 Standard & Poor's has indicated that they will rate PERLS V "A+" upon issue.

4 It is expected that if a Distribution is unfranked or not fully franked, the cash Distribution will generally be increased to compensate Holders for the unfranked portion of the Distribution. See Section 1.4.3 "Will Distributions be franked?"

5 Level 1 and Level 2 are different bases by which APRA measures the capital of the Bank. Currently Level 1 will refer to the Bank, consolidated with certain APRA approved entities and Level 2 refers to the consolidated banking group (excluding the insurance and funds management businesses).

6 Conversion will be delayed where the Conversion Conditions are not satisfied (see Section 1.5.7 "What is Conversion?" and 1.5.8 "What are the Conversion Conditions?").

7 PERLS II were redeemed on 16 March 2009.

8 Assuming an Issue Date VWAP equal to the closing Bank Ordinary Share price of \$44.98 on 20 August 2009.

9 See Section 1.9.2 "How do PERLS V rank on winding-up?"

## Section 1

# Key Questions about PERLS V

Topic	Summary	Where to find more information
<b>1.4 Distributions</b>		
<b>1.4.1 What is a Distribution?</b>	<p>Distributions are based on a floating rate and are expected to be fully franked.</p> <p>Distributions are non-cumulative. If a Distribution or part of a Distribution is not paid on a Distribution Payment Date because of any Payment Test or because of any applicable law, Holders have no claim or entitlement in respect of non-payment nor any right to receive that Distribution at any later time. However, the Dividend Stopper may apply in this situation (see Section 1.4.11 “What is the Dividend Stopper?”).</p> <p>Distributions will comprise either Interest or Dividends. Until an Assignment Event Date, they will comprise Interest on Notes. After an Assignment Event Date (see Section 1.8.1 “What is an Assignment Event?”), they will comprise Dividends on Preference Shares.</p> <p>Regardless of whether a Distribution is paid as Interest on Notes or a Dividend on Preference Shares, the amount of the Distribution will be calculated on the same basis. Holders will not be entitled to both Interest on Notes and Dividends on Preference Shares at the same time.</p>	Sections 1.4, 1.8.1, 3.1.2 – 3.1.4 and 5
<b>1.4.2 When will Distributions be paid?</b>	<p>Distributions are payable quarterly in arrears, subject to the Payment Tests (see Section 1.4.9 “Will Distributions always be paid?”), on the following dates (or the next Business Day if that date is not a Business Day) each year:</p> <ul style="list-style-type: none"><li>• 31 January</li><li>• 30 April</li><li>• 31 July</li><li>• 31 October</li></ul> <p>and on any Exchange Date.</p> <p>The first Distribution Period will commence on the Issue Date and end on the day before the first Distribution Payment Date (being 1 February 2010, as 31 January 2010 is not a Business Day).</p> <p>Distributions will be paid in Australian dollars and will be paid either by cheque or directly to a Holder’s nominated Australian bank account or in any other manner as the Board resolves.</p> <p>To be entitled to a Distribution (including an Optional Dividend), Holders must be recorded on the PERLS V register on the record date for that Distribution. The record date is the day which is 7 days prior to the relevant Distribution Payment Date, unless otherwise determined by the Bank and notified to ASX not less than 6 Business Days before the specified record date, or such other date as is required by ASX.</p>	Sections 1.4.9, 3.1.2, Clause 4 of the Preference Share Terms

## Section 1

# Key Questions about PERLS V

Topic	Summary	Where to find more information
<p>1.4.3</p> <p><b>Will Distributions be franked?</b></p>	<p>The Bank expects that Distributions will be fully franked. If Distributions are fully franked, Holders will receive a combination of cash Distributions and franking credits.</p> <p>However, Distributions payable on PERLS V may be unfranked or not fully franked. If a Distribution is unfranked or not fully franked, the cash Distribution will generally<sup>1</sup> be increased by a cash amount to compensate Holders for the unfranked portion of the Distribution.</p> <p>The Bank understands that the ATO may form the view that the benefits of the franking credits should be denied to Holders even if the Bank has franked the relevant Distribution. If the ATO forms the view that franking credits should be denied to Holders, the Bank intends to have that view tested in court.</p> <p>The Bank and the ATO have agreed to certain arrangements that will ensure that Holders will not be impacted by this process. In the event the ATO view is sustained the Bank has agreed to make a payment to the ATO to compensate it and in practice the benefits of the franking credits will be allowed to Holders<sup>1</sup>.</p> <p>In the event that the ATO view is sustained, the Bank will elect that an Assignment Event occurs in respect of all Notes, such that Holders will hold the Preference Shares (see Section 1.8.2 “What happens if an Assignment Event occurs?”). The benefits of the franking credits attached to Dividends paid on Preference Shares should not be denied to Holders.</p> <p>Note: <sup>1</sup> Holders who do not seek to independently challenge the ATO view will not be impacted. For any Holders who choose to challenge the ATO view independently the Bank will not gross up Interest payments and the Bank will not make any payment on behalf of the tax liability of such Holders. Further details of the arrangements and the tax treatment are contained in the Taxation Letter in Section 5 “Taxation Information” and Section 7.2 “ATO Agreement”.</p>	<p>Sections 1.8.2, 3.1.3 and 5, Clause 4 of the Preference Share Terms</p>
<p>1.4.4</p> <p><b>What is the impact of franking credits?</b></p>	<p>The franking credits represent the Holder’s share of tax paid by the Bank.</p> <p>If the potential value of the franking credits is taken into account in full, the fully franked Distribution Rate of 4.6760% per annum in the example in Section 1.4.5 “How will the Distribution Rate be calculated?”, would be equivalent to an unfranked Distribution Rate of approximately 6.6800% per annum. However, Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution. Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the year of income, will depend on the individual tax position of each Holder.</p> <p>Holders should refer to the Taxation Letter from Greenwoods &amp; Freehills in Section 5 “Taxation Information” and seek professional advice in relation to their tax position.</p>	<p>Sections 1.4.5, 3.1.3, 3.1.15 and 5</p>

## Section 1

# Key Questions about PERLS V

Topic	Summary	Where to find more information										
1.4.5 <b>How will the Distribution Rate be calculated?</b>	<p>The Distribution Rate is a floating rate and will be set on the first Business Day of each Distribution Period by adding the Margin of 3.4000% to the Market Rate (which is the Bank Bill Swap Rate on that date) and multiplying the result by (1 – Tax Rate). The Tax Rate is currently 30%.</p> <p>As an example, if the Market Rate for the relevant Distribution Period was 3.2800%<sup>1</sup>, the Distribution Rate for the relevant Distribution Period would be calculated as follows:</p> <table> <tr> <td>Market Rate</td> <td>3.2800%<sup>1</sup> p.a.</td> </tr> <tr> <td>Plus Margin</td> <td>3.4000% p.a.</td> </tr> <tr> <td></td> <td><u>6.6800% p.a.</u></td> </tr> <tr> <td>Multiplied by (1 – Tax Rate)</td> <td>0.70</td> </tr> <tr> <td>Distribution Rate</td> <td><u>4.6760%<sup>1</sup> p.a.</u></td> </tr> </table> <p>Note:</p> <p><sup>1</sup> The example Market Rate and Distribution Rate above are illustrative only and do not indicate the actual Market Rate or Distribution Rate that will apply.</p>	Market Rate	3.2800% <sup>1</sup> p.a.	Plus Margin	3.4000% p.a.		<u>6.6800% p.a.</u>	Multiplied by (1 – Tax Rate)	0.70	Distribution Rate	<u>4.6760%<sup>1</sup> p.a.</u>	Section 3.1.4
Market Rate	3.2800% <sup>1</sup> p.a.											
Plus Margin	3.4000% p.a.											
	<u>6.6800% p.a.</u>											
Multiplied by (1 – Tax Rate)	0.70											
Distribution Rate	<u>4.6760%<sup>1</sup> p.a.</u>											
1.4.6 <b>How will the Distribution be calculated?</b>	<p>The Distribution payable on each PERLS V for each Distribution Period is calculated in accordance with the following formula:</p> $\frac{\$200 \text{ Face Value} \times \text{Distribution Rate} \times \text{days in Distribution Period}}{365}$ <p>As an example, if the Distribution Rate was 4.6760% per annum, as calculated above, the Distribution payable on each PERLS V for the relevant Distribution Period would be calculated as follows:</p> <table> <tr> <td>Face Value</td> <td>\$200.00</td> </tr> <tr> <td>Multiplied by the Distribution Rate</td> <td>4.6760%</td> </tr> <tr> <td>Multiplied by the number of days in a Distribution Period</td> <td>91<sup>1</sup></td> </tr> <tr> <td>Divided by the number of days in a year</td> <td><u>365</u></td> </tr> <tr> <td>Distribution</td> <td><u>\$2.3316<sup>2</sup></u></td> </tr> </table> <p>Notes:</p> <p><sup>1</sup> Distribution Periods will generally be 90 to 92 days. The first Distribution Period is expected to contain 110 days as it is expected to start on the Issue Date of 14 October 2009 and end on the day before the first Distribution Payment Date (being 1 February 2010, as 31 January 2010 is not a Business Day).</p> <p><sup>2</sup> The example Distribution Rate and the Distribution are illustrative only and do not indicate the actual Distribution Rate or Distribution for a Distribution Period that will apply.</p>	Face Value	\$200.00	Multiplied by the Distribution Rate	4.6760%	Multiplied by the number of days in a Distribution Period	91 <sup>1</sup>	Divided by the number of days in a year	<u>365</u>	Distribution	<u>\$2.3316<sup>2</sup></u>	Sections 3.1.2 – 3.1.4
Face Value	\$200.00											
Multiplied by the Distribution Rate	4.6760%											
Multiplied by the number of days in a Distribution Period	91 <sup>1</sup>											
Divided by the number of days in a year	<u>365</u>											
Distribution	<u>\$2.3316<sup>2</sup></u>											
1.4.7 <b>What is the Bank Bill Swap Rate?</b>	<p>The Bank Bill Swap Rate is the primary benchmark interest rate for the Australian money market based on an average of rates at which major Australian financial institutions lend short-term cash to each other over a 90-day period. The Bank Bill Swap Rate changes to reflect the supply and demand within the cash and currency markets. On 20 August 2009, the Bank Bill Swap Rate was 3.2800%. The Bank Bill Swap Rate has varied between 3.01% per annum and 8.11% per annum since 1 August 1999.</p> <p>For the purposes of the first Distribution Period, the Market Rate will be the Bank Bill Swap Rate, adjusted to be appropriate for a 110 day period.</p>	Section 3.1.4										
1.4.8 <b>Will the Margin change over time?</b>	No, the Margin will not change.											



## Section 1

# Key Questions about PERLS V

Topic	Summary	Where to find more information
1.4.9 <b>Will Distributions always be paid?</b>	<p>Distributions may not always be paid. Distributions (including an Optional Dividend) are subject to the following Payment Tests:</p> <ul style="list-style-type: none"><li>• the Board's discretion to resolve not to pay the Distribution. Circumstances where the Board will exercise its discretion to resolve not to pay the Distribution include where, in the Board's opinion:<ul style="list-style-type: none"><li>– the Bank is not able, or payment of all or a portion of the Distribution would cause the Bank not to be able, to pay all of its debts as and when they become due and payable; or</li><li>– payment of all or a portion of the Distribution would result in the Bank becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or</li><li>– payment of the Distribution would cause a breach of any APRA Guidelines (unless APRA has given its approval); and</li></ul></li><li>• none of the following conditions existing on the Business Day prior to the relevant Distribution Payment Date:<ul style="list-style-type: none"><li>– there is an Insufficient Distributable Profits Circumstance unless otherwise approved in writing by APRA;</li><li>– the payment would result in the Risk Based Capital Ratio or the Tier 1 Capital Ratio of the ADI (on a Level 1, Level 2 or Level 3 basis as described by APRA) not complying with APRA Guidelines unless APRA gives its approval;</li><li>– APRA has objected to the proposed payment; or</li><li>– APRA has stated that the payment will result in the Preference Shares (or, prior to the Assignment Event Date, Stapled Securities) no longer being treated as Non-Innovative Residual Tier 1 Capital of the ADI (on a Level 1, Level 2 or Level 3 basis as described by APRA); and</li></ul></li><li>• after an Assignment Event Date, the Corporations Act or any other law not prohibiting the Bank paying the relevant dividend (including there being profits legally available for the payment of dividends).</li></ul>	Sections 3.1.2 – 3.1.4
1.4.10 <b>What happens if Distributions are not paid in full?</b>	<p>If a Distribution is not paid in full for any Distribution Period, a Holder will not receive that Distribution unless the Bank, subject to APRA's prior approval, causes the Distribution to be made up. If Distributions are not paid in full within 20 Business Days after the relevant Distribution Payment Date:</p> <ul style="list-style-type: none"><li>• an Assignment Event will occur (if one has not already occurred) (see Section 1.8.1 "What is an Assignment Event?"); and</li><li>• the Dividend Stopper will apply (see Section 1.4.11 "What is the Dividend Stopper?").</li></ul> <p>Failure to pay a Distribution is not an event of default and Holders have no claim against the Bank in relation to the non-payment.</p>	Sections 1.8.1, 1.4.11, 3.1.2 – 3.1.4

## Section 1

# Key Questions about PERLS V

Topic	Summary	Where to find more information
<p>1.4.11</p> <p><b>What is the Dividend Stopper?</b></p>	<p>The Dividend Stopper will apply if a Distribution on PERLS V is not paid in full within 20 Business Days after a Distribution Payment Date (subject to certain exceptions – see clauses 4.10(b) and 4.11 of the Preference Share Terms).</p> <p>If the Dividend Stopper applies, the Bank must not declare or pay any dividends or distributions or pay any interest from the income or capital of the Bank, return any capital or undertake any buy-backs, redemptions or repurchases in relation to Bank Ordinary Shares, Existing Capital Securities (except as set out below) or any securities of the Bank that rank, or are expressed to rank, for interest payments, dividends or distributions, equally with or junior to the Notes (or if the Notes are no longer on issue or have become obligations of a Substituted Issuer, would have ranked equally with or junior to them whilst owed by the Bank) or Preference Shares unless and until:</p> <ul style="list-style-type: none"> <li>• a Special Resolution of Holders authorising the payment, capital return, buy-back, redemption or repurchase is approved, and APRA does not otherwise object; or</li> <li>• Optional Dividends in an amount in aggregate equal to the unpaid Distribution amount for the preceding four consecutive Distribution Periods has been paid; or</li> <li>• four consecutive Dividends scheduled to be payable on PERLS V thereafter have been paid in full; or</li> <li>• all PERLS V have been Exchanged.</li> </ul> <p>The Dividend Stopper will not apply to Existing Capital Securities where the Distribution on PERLS V is not paid solely because an Insufficient Distributable Profits Circumstance exists in relation to the relevant Distribution Payment Date.</p>	<p>Sections 3.1.2 and 3.1.4, Clauses 4.10(b) and 4.11 of the Preference Share Terms</p>
<p><b>1.5 Exchange</b></p>		
<p>1.5.1</p> <p><b>When is the Initial Conversion Date?</b></p>	<p>The Initial Conversion Date is 31 October 2014.</p>	<p>Clause 1.1 of the Preference Share Terms</p>
<p>1.5.2</p> <p><b>What happens on the Initial Conversion Date?</b></p>	<p>On the Initial Conversion Date:</p> <ul style="list-style-type: none"> <li>• the Bank may arrange a Resale by appointing the Purchaser to acquire all PERLS V for \$200 (the Face Value) each;</li> <li>• if the Bank has not elected to Resell, PERLS V will Convert into a variable number of Bank Ordinary Shares worth approximately \$202.02<sup>1</sup> if the Conversion Conditions are satisfied; and</li> <li>• if Resale and Conversion have not occurred, the Bank may, subject to APRA's prior written approval, elect to Repurchase all PERLS V for \$200 (the Face Value) each.</li> </ul> <p>These options are referred to as Exchange.</p> <p>Note:</p> <p><sup>1</sup> The number of Bank Ordinary Shares will be based on a VWAP which may differ from the Bank Ordinary Share price on or after Conversion. Accordingly, the value of Bank Ordinary Shares received on Conversion of each PERLS V may be worth more or less than \$202.02, reflecting the 1% discount – see Section 1.5.10.</p>	<p>Sections 3.1.6 – 3.1.12</p>

## Section 1

# Key Questions about PERLS V

Topic	Summary	Where to find more information
1.5.3 <b>What happens if PERLS V are not Exchanged on the Initial Conversion Date?</b>	If PERLS V are not Exchanged on the Initial Conversion Date, they may Exchange on the next Distribution Payment Date or any subsequent Distribution Payment Date (each a "Conversion Date") in the same manner as described above in Section 1.5.2 "What happens on the Initial Conversion Date?".	Sections 1.5.2, 3.1.6 – 3.1.12
1.5.4 <b>What is Resale?</b>	<p>Before a Conversion Date (the first being the Initial Conversion Date on 31 October 2014), the Bank may arrange for a third party ("Purchaser") to acquire all PERLS V on that date. This process is called Resale. The Bank must give Holders at least 21 Business Days notice if it chooses Resale as the method of Exchange in relation to a Conversion Date.</p> <p>The Resale will be subject to such terms and conditions as the Bank reasonably determines. If any of the conditions to the Resale are not satisfied or if the Purchaser does not pay the Face Value to Holders, the Resale will not proceed. The Bank has no obligation to pay this amount if it is not paid by the Purchaser. The Purchaser must have, or its obligations must be guaranteed by someone who has, a credit rating assigned by a ratings agency equal to or higher than PERLS V at that time.</p> <p>If the Resale does not proceed, Holders will continue to hold their PERLS V (refer to Section 3.1.6 "Resale may not occur or complete"). If this occurs, the Bank may, subject to APRA's prior written approval, elect to Exchange all of the relevant PERLS V on issue within 45 Business Days after the scheduled Exchange Date on which Resale did not occur.</p>	Section 3.1.6
1.5.5 <b>How does Resale work?</b>	<p>If the Bank issues a Resale Notice:</p> <ul style="list-style-type: none"> <li>• each Holder is taken to irrevocably offer to sell all PERLS V which the Bank has elected to Resell to the Purchaser for a cash amount equal to \$200 (the Face Value) each; and</li> <li>• after payment by the Purchaser of the Face Value to Holders, all right, title and interest in such PERLS V will be transferred to the Purchaser.</li> </ul> <p>For a Resale in relation to the Initial Conversion Date, the relevant Exchange Date will be the Initial Conversion Date.</p>	Section 3.1.6
1.5.6 <b>If my PERLS V are Resold, what will I receive?</b>	If PERLS V are Resold, the Purchaser will deliver cash proceeds to Holders equal to \$200 (the Face Value) each.	
1.5.7 <b>What is Conversion?</b>	<p>Conversion means the Conversion of all PERLS V into a variable number of Bank Ordinary Shares. Conversion will only occur if the Conversion Conditions are satisfied. Conversion will occur via the mechanism set out in clause 8.2 of the Preference Share Terms.</p> <p>The number of Bank Ordinary Shares issued will be calculated using the method described in Section 1.5.10 "How many Bank Ordinary Shares will I receive if PERLS V are Converted?"</p>	Sections 1.5.10 and 3.1.6 – 3.1.12, Clause 8.2 of the Preference Share Terms

## Section 1

# Key Questions about PERLS V

Topic	Summary	Where to find more information
<p>1.5.8</p> <p><b>What are the Conversion Conditions?</b></p>	<p>The Conversion Conditions are satisfied where:</p> <ol style="list-style-type: none"> <li>1. the VWAP on the 25th Business Day before the possible Conversion Date (or if trading in Bank Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Bank Ordinary Shares occurred) is greater than 56% of the Issue Date VWAP;</li> <li>2. the VWAP during the period of 20 Business Days on which trading in Bank Ordinary Shares took place immediately preceding, but not including, the possible Conversion Date is greater than 50.51% of the Issue Date VWAP;</li> <li>3. no Delisting Event applies in respect of the Conversion Date; and</li> <li>4. the Bank has not elected to Resell all PERLS V.</li> </ol> <p>The Issue Date VWAP refers to the VWAP during the period of 20 Business Days on which trading in Bank Ordinary Shares took place immediately preceding, but not including, the Issue Date (as adjusted in accordance with the Preference Share Terms).</p> <p>For example, if the Issue Date VWAP is \$44.98<sup>1</sup>, and if the Bank's Ordinary Share VWAP is greater than \$25.19 and \$22.72 respectively for the relevant date and periods set out above, the first two Conversion Conditions would be satisfied.</p> <p>Note:</p> <p><sup>1</sup> The example Issue Date VWAP is illustrative only and does not indicate the actual Issue Date VWAP.</p>	<p>Sections 1.5.9 and 3.1.7, Clause 4.3 and 8.7 – 8.11 of the Preference Share Terms</p>
<p>1.5.9</p> <p><b>What happens if the Conversion Conditions are not satisfied?</b></p>	<p>If, in relation to a Conversion Date, either of the first three Conversion Conditions are not satisfied, the Bank may (subject to APRA giving its prior written approval) Repurchase all PERLS V for \$200 each.</p> <p>Otherwise, Conversion is deferred until the next Conversion Date on which all the Conversion Conditions are satisfied. Whether or not the Conversion Conditions are satisfied, the Bank may arrange for PERLS V to be Resold.</p>	<p>Sections 1.5.2, 1.5.3, 1.5.8 and 3.1.8</p>

## Section 1

# Key Questions about PERLS V

Topic	Summary	Where to find more information
<p>1.5.10</p> <p><b>How many Bank Ordinary Shares will I receive if PERLS V are Converted?</b></p>	<p>Upon Conversion, Holders will receive the Conversion Number of Bank Ordinary Shares for each PERLS V. In practice, the Conversion Number will operate so that Holders will receive \$202.02 worth of Bank Ordinary Shares per PERLS V upon Conversion, based on VWAP and reflecting the 1% discount.</p> <p>The VWAP used to calculate the Conversion Number may differ from the Bank Ordinary Share price on or after Conversion. Accordingly, the value of Bank Ordinary Shares received on Conversion of each PERLS V may be worth more or less than \$202.02.</p> <p>The Conversion Number for each PERLS V is calculated by the following formula:</p> $\frac{\$200 \text{ Face Value}}{\text{VWAP} \times (1 - \text{DF})}$ <p>where:</p> <p><b>VWAP</b> is defined in clause 8.1 of the Preference Share Terms, but generally means the average of the daily volume weighted average prices of Bank Ordinary Shares traded on the ASX for the 20 Business Days on which trading in Bank Ordinary Shares took place, immediately preceding, but not including, the relevant Conversion Date; and</p> <p><b>DF</b> is the Discount Factor and is 1%.</p> <p>Where the total number of Bank Ordinary Shares to be issued to a Holder in respect of all of that Holder's PERLS V being Converted includes a fraction of a Bank Ordinary Share, that fraction will be disregarded.</p> <p>The number of Bank Ordinary Shares that Holders will receive for each PERLS V cannot be greater than the Maximum Conversion Number.</p>	<p>Clause 8 of the Preference Share Terms</p>
<p>1.5.11</p> <p><b>What is the Maximum Conversion Number?</b></p>	<p>The Maximum Conversion Number is calculated by the following formula:</p> $\frac{\$200 \text{ Face Value}}{0.5 \times \text{Issue Date VWAP}}$ <p>where Issue Date VWAP means the VWAP during the period of 20 Business Days on which trading in Bank Ordinary Shares took place immediately preceding but not including the Issue Date, subject to certain adjustments.</p> <p>For example, if the Issue Date VWAP is \$44.98<sup>1</sup>, then the Maximum Conversion Number would be 8.9 Bank Ordinary Shares.</p> <p>The Maximum Conversion Number is an APRA requirement for PERLS V to qualify as Non-Innovative Residual Tier 1 Capital of the Bank.</p> <p>Note:</p> <p><sup>1</sup> The example Issue Date VWAP is illustrative only and does not indicate the actual Issue Date VWAP.</p>	<p>Section 1.5.12, Clause 1.1 of the Preference Share Terms</p>

## Section 1

# Key Questions about PERLS V

Topic	Summary	Where to find more information
<p>1.5.12</p> <p><b>How does the Maximum Conversion Number affect the number of Bank Ordinary Shares that I will receive on Conversion?</b></p>	<p>If the Conversion Number would be greater than the Maximum Conversion Number, the Conversion Conditions would not be satisfied and Conversion would not occur.</p> <p>Accordingly, the Conversion Conditions provide protection to Holders from receiving less than approximately \$202.02 worth of Bank Ordinary Shares per PERLS V upon Conversion<sup>1</sup>.</p> <p>The Issue Date VWAP and, consequently, the Maximum Conversion Number may be adjusted to reflect transactions affecting the capital of the Bank (including certain buy-backs, returns of capital and bonus and rights issues) as set out in the Preference Share Terms.</p> <p>Note:</p> <p><sup>1</sup> The VWAP used to calculate the Conversion Number may differ from the Bank Ordinary Share price on or after Conversion. Accordingly, the value of Bank Ordinary Shares received on Conversion of each PERLS V may be worth more or less than \$202.02, reflecting the 1% discount – see Section 1.5.10.</p>	<p>Clause 8 of the Preference Share Terms</p>
<h3>1.6 Optional Exchange Events</h3>		
<p>1.6.1</p> <p><b>Can Holders request Exchange?</b></p>	<p>Holders do not have a right to request Exchange at any time.</p>	<p>Section 3.1.9</p>
<p>1.6.2</p> <p><b>When can the Bank elect to Exchange my PERLS V?</b></p>	<p>The Bank may, subject to APRA's prior written approval, choose to Exchange all PERLS V on issue after the occurrence of a Regulatory Event, NOHC Event or Tax Event.</p> <p>Exchange in this context means:</p> <ul style="list-style-type: none"> <li>• subject to APRA's prior written approval and the Optional Exchange Conversion Conditions, Conversion of all or some PERLS V into Bank Ordinary Shares (refer to Section 1.6.3 "What are the Optional Exchange Conversion Conditions?"); or</li> <li>• subject to APRA's prior written approval, Repurchase all or some PERLS V for \$200 each; or</li> <li>• a combination of the above; or</li> <li>• arranging a Resale of all PERLS V to the Purchaser.</li> </ul> <p>In each case, the Bank may elect to Exchange PERLS V within 12 months of the Optional Exchange Event. The Bank must provide a notice to specify whether the Exchange will be by Repurchase, Conversion, a combination of Repurchase and Conversion, or a Resale. The decision whether to Repurchase, Resell or Convert is at the discretion of the Bank (subject to APRA's prior approval).</p>	<p>Section 3.1.9</p>

## Section 1

# Key Questions about PERLS V

Topic	Summary	Where to find more information
<p>1.6.3</p> <p><b>What are the Optional Exchange Conversion Conditions?</b></p>	<p>The Optional Exchange Conversion Conditions are:</p> <ol style="list-style-type: none"> <li>1. the VWAP on the second Business Day before the proposed date of commencement of dispatch or publishing or announcement advising Holders that the Bank wishes to Convert PERLS V (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Bank Ordinary Shares occurred) (“<b>Optional Conversion Test Date</b>”) is greater than 56% of the Issue Date VWAP; and</li> <li>2. on the date on which Exchange is to occur (“<b>Optional Exchange Date</b>”), the Second Conversion Condition must be satisfied in respect of the Optional Exchange Date; and</li> <li>3. on each of the Optional Conversion Test Date and the Optional Exchange Date, the Third Conversion Condition must be satisfied.</li> </ol> <p>If the Bank has elected Conversion and the Optional Exchange Conversion Conditions are not satisfied, the Bank will notify Holders and the Conversion will be deferred until the next Distribution Payment Date on which the Conversion Conditions would be satisfied as if that Distribution Payment Date were a Conversion Date.</p>	<p>Clause 6.4 of the Preference Share Terms</p>
<p>1.6.4</p> <p><b>What is a Tax Event?</b></p>	<p>A Tax Event occurs, broadly, when the Bank receives an opinion from a reputable legal counsel or tax adviser that there is a material risk that the Bank would be exposed to more than an insignificant increase in costs, including taxes, assessments or government charges, in relation to PERLS V or that any Distribution would not be frankable or franking credits may not be available to Holders (other than where the unavailability is a result of the actions of a Holder), subject to certain exceptions.</p>	<p>Clause 1.1 of the Preference Share Terms</p>
<p>1.6.5</p> <p><b>What is a Regulatory Event?</b></p>	<p>A Regulatory Event occurs, broadly, when the Bank receives advice from a reputable legal counsel that, as a result of a change or proposed change of law or regulation of Australia, additional requirements would be imposed on the Bank in relation to the Preference Shares or Stapled Securities that the Bank determines to be unacceptable or there is a risk that the ADI would not be entitled to treat all the Preference Shares or Stapled Securities as Non-Innovative Residual Tier 1 Capital.</p>	<p>Clause 1.1 of the Preference Share Terms</p>
<p>1.6.6</p> <p><b>What is a non-operating holding company (“NOHC”) Event?</b></p>	<p>Generally, a NOHC Event will involve a restructuring of the Bank Group to create a non-operating holding company. There are two ways this NOHC event could occur:</p> <ul style="list-style-type: none"> <li>• An Upstream NOHC Event would involve: <ul style="list-style-type: none"> <li>– a court approving the convening of a meeting of holders of Bank Ordinary Shares to approve a scheme of arrangement under Part 5.1 of the Corporations Act, which the Board determines can fairly be characterised as a restructure of the Bank Group and that when implemented will result in a non-operating holding company within the meaning of the Banking Act becoming the ultimate holding company of the Bank; and</li> <li>– either the resolution approving that scheme of arrangement is passed or an independent expert issues a report that the scheme of arrangement is in the best interests of holders of Bank Ordinary Shares.</li> </ul> </li> <li>• A Downstream NOHC Event would involve the Bank restructuring its operations such that the Bank becomes a non-operating holding company within the meaning of the Banking Act.</li> </ul>	<p>Section 3.1.19, Clause 1.1 of the Preference Share Terms</p>

## Section 1

# Key Questions about PERLS V

Topic	Summary	Where to find more information
<b>1.7 Exchange on an Acquisition Event</b>		
<p>1.7.1 <b>What is an Acquisition Event?</b></p>	<p>An Acquisition Event occurs if:</p> <ul style="list-style-type: none"> <li>• a takeover bid (as defined in the Corporations Act) is made to acquire some or all of the Bank Ordinary Shares on issue and the offer is, or becomes, unconditional and the voting power of the offeror in the Bank is, or becomes, greater than 50%; or</li> <li>• a court approves a scheme of arrangement under Part 5.1 of the Corporations Act which, when implemented, will result in a person having voting power in the Bank of more than 50%, other than where such event is a NOHC Event except if it is an Upstream NOHC Event and no Upstream NOHC Event Notice is given within the required period.</li> </ul>	<p>Section 3.1.10, Clauses 1.1 and 7 of the Preference Share Terms</p>
<p>1.7.2 <b>What must the Bank do on an Acquisition Event?</b></p>	<p>If an Acquisition Event occurs, subject to APRA's prior written approval, the Bank must Exchange all PERLS V, electing to do one of the following:</p> <ul style="list-style-type: none"> <li>• Convert each PERLS V into the Conversion Number of Bank Ordinary Shares (based on the VWAP during the 20 Business Days before the Exchange Date), provided the Optional Exchange Conversion Conditions are satisfied. In practice, the Conversion Number will operate so that Holders will receive approximately \$202.02 worth of Bank Ordinary Shares<sup>1</sup>; or</li> <li>• Repurchase each PERLS V for \$200.</li> </ul> <p>The Bank will not be required to make this election and, accordingly, will not be required to Exchange PERLS V following an Acquisition Event, if APRA does not approve Repurchase and the Optional Exchange Conversion Conditions to electing Conversion are not satisfied.</p> <p>In this circumstance, the Bank will give a new Acquisition Exchange Notice on the next Distribution Payment Date unless APRA does not approve Repurchase and the conditions to Conversion are not satisfied. This will be repeated until an Exchange occurs.</p> <p>Note: <sup>1</sup> The VWAP used to calculate the Conversion Number may differ from the Bank Ordinary Share price on or after Conversion. Accordingly, the value of Bank Ordinary Shares received on Conversion of each PERLS V may be worth more or less than \$202.02, reflecting the 1% discount – see Section 1.5.10.</p>	<p>Section 3.1.10, Clauses 1.1 and 7 of the Preference Share Terms</p>
<p>1.7.3 <b>What other obligations does the Bank have in connection with a takeover or scheme of arrangement?</b></p>	<p>On the occurrence of a recommended takeover bid being made or a scheme of arrangement being recommended by the Board which would result in an Acquisition Event, if the directors of the Bank consider that APRA will not approve Exchange or the Second Conversion Condition or Third Conversion Condition will not be satisfied, the directors of the Bank will use all reasonable endeavours to procure that equivalent takeover offers are made to Holders or that Holders are entitled to participate in the scheme of arrangement or a similar transaction.</p>	<p>Clause 7 of the Preference Share Terms</p>



# Section 1

## Key Questions about PERLS V

Topic	Summary	Where to find more information
<b>1.8 Assignment Event</b>		
1.8.1 <b>What is an Assignment Event?</b>	<p>An Assignment Event means the occurrence of any of the following events:</p> <ul style="list-style-type: none"><li>• the Bank electing that an Assignment Event occur;</li><li>• the date the Preference Shares are Repurchased or Converted, prior to the Repurchase or Conversion taking effect;</li><li>• Interest on the Notes or an Assignment Prevention Optional Dividend on the Preference Shares has not been paid in full to Holders within 20 Business Days of an Interest Payment Date;</li><li>• the Face Value of the Preference Shares has not been paid in full to Holders where the Preference Shares are to be Repurchased;</li><li>• a Default Event;</li><li>• an APRA Event (other than where it occurs because APRA appoints a statutory manager to the ADI) occurring and APRA requiring that such APRA Event be an Assignment Event; or</li><li>• APRA requiring that an Assignment Event occur.</li></ul>	Clauses 1.1 and 5.1 of the Note Terms
1.8.2 <b>What happens if an Assignment Event occurs?</b>	<p>If an Assignment Event occurs, the Bank may elect for some or all of the Notes to:</p> <ul style="list-style-type: none"><li>• be destapled from the Preference Shares; and</li><li>• assigned to the Bank or, with the written approval of APRA, a nominee.</li></ul> <p>If the Bank makes this election, after the Assignment Event Date, Holders will only hold a Preference Share for each PERLS V in relation to which the Bank has elected assignment. All rights to receive principal and interest accruing on the Note following the Assignment Event Date (together with any amount unpaid at 7.00pm at the Assignment Event Date) will be transferred from Holders to the Bank or its nominee.</p> <p>Following the Assignment Event Date, Dividends become payable on the Preference Shares in respect of the PERLS V that have had their corresponding Note assigned. The first Dividend payable on those Preference Shares accrues from the last Interest Payment Date on or prior to the Assignment Event Date.</p> <p>If the Bank elects for some or all of the Notes to be assigned, it must give a notice to ASX.</p>	Clause 5.1 of the Note Terms
<b>1.9 Ranking and Voting Rights</b>		
1.9.1 <b>How do PERLS V rank for Distributions?</b>	<p>PERLS V in effect rank ahead of the Bank's Ordinary Shares for the payment of distributions and behind the Bank's liabilities to depositors and other creditors<sup>1</sup>.</p> <p>Note:</p> <p><sup>1</sup> The terms of the claims of some creditors may mean that they effectively rank equally with or behind PERLS V in respect of the payment of Distributions.</p>	Clause 13 of the Preference Share Terms

## Section 1

# Key Questions about PERLS V

Topic	Summary	Where to find more information
<p>1.9.2</p> <p><b>How do PERLS V rank on winding-up?</b></p>	<p>If a Default Event occurs (which includes insolvency related events in relation to the Bank), an Assignment Event will occur and it is expected that the Note will be destapled and Holders will hold only the Preference Shares. The rights of Holders of Preference Shares to receive a return of capital (or any Distributions that may be owing) in a winding-up in effect rank ahead of the Bank's Ordinary Shareholders, equally with the holders of the Bank's other preference shares (subject to the terms thereof) and behind the Bank's liabilities to depositors and other creditors<sup>1</sup>.</p> <p>The Bank may only make a return of capital on PERLS V prior to a winding-up (by redeeming, buying back or otherwise cancelling PERLS V) with APRA's approval.</p> <p>Note:</p> <p><sup>1</sup> The terms of the claims of some creditors may mean that they effectively rank equally with or behind the PERLS V for a return of capital in a winding-up.</p>	<p>Section 3.1.13, Clause 13 of the Preference Share Terms</p>
<p>1.9.3</p> <p><b>Do Holders of PERLS V have voting rights?</b></p>	<p> Holders have no right to vote except in the following specific circumstances:</p> <ul style="list-style-type: none"> <li>• during a period in which a Dividend (or part of a Dividend) in respect of the Preference Shares is in arrears;</li> <li>• on a proposal to reduce the Bank's share capital;</li> <li>• on a proposal that affects rights attached to Preference Shares;</li> <li>• on a resolution to approve the terms of a buy-back agreement;</li> <li>• on a proposal to wind-up the Bank;</li> <li>• on a proposal for the disposal of the whole of the Bank's property, business and undertaking; and</li> <li>• during the winding-up of the Bank.</li> </ul> <p>At a general meeting of the Bank, Holders shall be entitled:</p> <ul style="list-style-type: none"> <li>• on a show of hands, to exercise one vote when entitled to vote under any of the circumstances set out above; and</li> <li>• on a poll, to exercise one vote for each Preference Share held by them when entitled to vote under any of the circumstances set out above.</li> </ul> <p> Holders will be entitled to the same rights as holders of Bank Ordinary Shares in relation to receiving notices, reports and financial statements, and attending and being heard at all general meetings of the Bank.</p>	<p>Clause 14 of the Preference Share Terms</p>
<p><b>1.10 Other Questions</b></p>		
<p>1.10.1</p> <p><b>Will I be able to request Repurchase of my investment?</b></p>	<p>No. Holders may not require the Bank to Repurchase their PERLS V. To realise their investment, Holders can sell their PERLS V on ASX at the prevailing market price. There can be no assurance as to the liquidity of the market for PERLS V. Further, the market price of PERLS V may be higher or lower than the Face Value, and will depend, among other things, on the level of supply and demand for PERLS V.</p>	<p>Section 3.1.1</p>
<p>1.10.2</p> <p><b>Where can I get more information about PERLS V?</b></p>	<p>A number of relevant documents are available free of charge from the Bank during the Offer Period. See Section 7 "Additional Information" for more information.</p>	<p>Section 7</p>

## Section 1

# Key Questions about PERLS V

Topic	Summary	Where to find more information
<p>1.10.3</p> <p><b>Can the Bank issue further PERLS V, preference shares or other instruments?</b></p>	<p>The Bank reserves the right to issue further PERLS V, preference shares or other instruments, or permit the conversion of shares to preference shares or other instruments, which (to the extent permitted by the Constitution) rank behind, equally with or senior to PERLS V, whether in respect of distributions, return of capital on a winding-up of the Bank or otherwise.</p> <p>PERLS V do not confer on Holders any right to subscribe for new securities in the Bank or to participate in any bonus issues of securities of the Bank.</p>	<p>Section 3.1.18, Clause 13 of the Preference Share Terms</p>
<p>1.10.4</p> <p><b>Can the Bank amend the Preference Share Terms or the Note Terms?</b></p>	<p>Subject to complying with all applicable laws, and with APRA's prior written approval, the Bank may amend the Preference Share Terms or the Note Terms without the consent of Holders in certain circumstances.</p> <p>The Bank may also, with APRA's prior written approval, amend the Preference Share Terms or the Note Terms if the amendment has been approved by a Special Resolution of Holders.</p>	<p>Clause 16 of the Preference Share Terms, Clause 14.4 of the Note Terms</p>
<p>1.10.5</p> <p><b>Can the Bank withdraw the Offer?</b></p>	<p>Yes, the Bank may withdraw the Offer at any time prior to the issue of PERLS V. In respect of any Applications already made, Application Monies will be returned as soon as practicable without interest.</p>	<p>Section 2.4.5</p>
<p>1.10.6</p> <p><b>How will PERLS V be issued?</b></p>	<p>PERLS V will be issued to Macquarie Group Holdings New Zealand Limited ("<b>Initial Holder</b>") who will then transfer PERLS V to successful Applicants under the Offer. These arrangements are governed by the Offer Management and Subscription Agreement which is summarised in Section 6.3 "Offer Management and Subscription Agreement".</p>	<p>Section 6.3</p>
<p>1.10.7</p> <p><b>Are PERLS V guaranteed by the Australian Government?</b></p>	<p>No. PERLS V are not eligible for either the Australian or New Zealand government guarantee schemes for deposits or wholesale funding.</p>	<p>Sections 3.1.13 and 3.2.5</p>

## Section 1

# Key Questions about PERLS V

Topic	Summary	Where to find more information
<b>1.11 Potential Investment Risks</b>		
1.11.1 <b>What are the risks associated with investing in PERLS V?</b>	<p>There are general risks associated with investing in PERLS V, as well as risks associated with the Bank. Some of the key risks are:</p> <ul style="list-style-type: none"><li>• <b>The Bank's financial performance and position</b> – the market price of PERLS V (and the Bank Ordinary Shares into which they are expected to Convert) may be affected by the Bank's financial performance and position. The Bank's financial performance and position may also affect the credit ratings associated with PERLS V, which may impact the market price and liquidity of PERLS V;</li><li>• <b>Financial market conditions and liquidity</b> – the market price of PERLS V may fluctuate due to various factors that affect financial market conditions and there is a risk that PERLS V may trade below the Application Price. In addition, the market for PERLS V may not be liquid and PERLS V may be unable to be sold at an acceptable price, if at all;</li><li>• <b>Distributions may not be paid</b> – as the payment of Distributions is subject to a number of conditions, including the availability of profits and the Board's discretion not to pay a Distribution, there is a risk that Distributions may not be paid;</li><li>• <b>Changes in Distribution Rate</b> – as the Distribution Rate on PERLS V fluctuates with the Market Rate, there is a risk that the Distribution Rate will become less attractive compared to the rate of return on comparable securities;</li><li>• <b>Conversion may not occur</b> – there is a risk that the Bank Ordinary Share price falls to such an extent that the Conversion Conditions are not satisfied. This means that PERLS V may not Convert;</li><li>• <b>Exchange</b> – if PERLS V are Exchanged, there is a risk that the applicable Exchange consideration may be disadvantageous to Holders in light of factors such as market conditions, individual circumstances and timing of Exchange; and</li><li>• <b>Ranking</b> – PERLS V are not deposit liabilities of the Bank and do not have the benefit of the depositor protection provisions of the Banking Act. The rights of Holders of PERLS V to receive a return of capital on PERLS V in a winding-up in effect rank ahead of the Bank's Ordinary Shareholders and (subject to the terms thereof) equally with the holders of the Bank's other preference shares and behind the Bank's liabilities to depositors and other creditors (subject to the terms of the claims of such creditors).</li></ul> <p>See Section 3 "Risks of Investing in PERLS V" for further detail of these and other key risks.</p>	Section 3

If after reading this Prospectus you have further questions on how to apply or otherwise, please call the **PERLS V Information Line on 1800 022 440** (Monday to Friday 8.30am – 7.30pm, Sydney Time).

**If you are unclear in relation to any matter or uncertain if PERLS V is a suitable investment, you should consult your financial adviser or other professional adviser.**

**You should read the whole of this Prospectus carefully, including the risks of investing in PERLS V contained in Section 3.**

# Section 2

## Details of the Offer

This Section sets out what you must do if you wish to apply for PERLS V and details of quotation if you are successfully Allocated any PERLS V.

## Section 2

# Details of the Offer

Before investing in PERLS V you should read this Prospectus in full. It contains information about the Offer that you must know.

## 2.1 Description of the Offer

The Offer comprises:

- a Securityholder Offer – made to Eligible Securityholders;
- a General Offer – made to all Australian residents, including anyone who is not an Eligible Securityholder or a broker firm client;
- a Broker Firm Offer – made to Australian residents who are clients of a broker to the Offer; and
- an Institutional Offer – made to Institutional Investors in Australia and certain overseas jurisdictions.

## 2.2 Who may apply

The Offer is available to persons within Australia. No action will be taken to register the Prospectus, or otherwise permit a public offering of PERLS V, in any jurisdiction outside Australia. The Offer is not made to any person in any jurisdiction where the laws of that jurisdiction would require the Prospectus to be registered or other action to be taken by the Bank, see Section 7.4 “Restrictions on foreign jurisdictions”.

## 2.3 When to apply

The Offer is expected to open on 7 September 2009 and close at 5.00pm (Sydney Time) 2 October 2009.

Applicants who are applying under the Securityholder Offer or the General Offer should ensure their Application (together with Application Monies) is received by the Registry or submitted online no later than 5.00pm (Sydney Time) on the Closing Date.

Applicants who are applying through the Broker Firm Offer should not return their Application to the Registry but should instead return it to their broker in accordance with their broker’s instructions.

The Offer may close early. The Closing Date for the Offer is indicative only and is subject to change without notice. The Bank has the right, in consultation with the Joint Lead Managers, to vary the timetable, including closing the Offer early. It is possible the General Offer may close prior to the Securityholder Offer. Therefore, if you wish to apply for

PERLS V you should submit your Application as soon as possible after the Offer opens. If the Closing Date is varied, subsequent dates may be varied accordingly.

## 2.4 How to apply

To apply for PERLS V you must complete an Application Form.

The instructions for completing and returning your Application Form vary depending on whether you are making an Application:

- under the Securityholder Offer (see Section 2.4.1 “Applying under the Securityholder Offer”);
- under the General Offer (see Section 2.4.2 “Applying under the General Offer”);
- under the Broker Firm Offer (see Section 2.4.3 “Applying under the Broker Firm Offer”); and
- under the Institutional Offer (see Section 2.4.4 “Applying under the Institutional Offer”).

Application Forms and accompanying cheques and/or money orders will not be accepted at the Bank’s registered office or at any of the Bank’s branches.

### 2.4.1 Applying under the Securityholder Offer

You are an Eligible Securityholder if you:

- were a registered holder of PERLS II on 16 March 2009, when PERLS II were redeemed;
- are a holder of PERLS III;
- are a holder of PERLS IV; or
- are a holder of Bank Ordinary Shares,

in each case with a registered Australian address. To be an Eligible Securityholder, you will also need to meet the general eligibility requirements outlined in Section 7.4 “Restrictions on foreign jurisdictions”.

As an Eligible Securityholder you may apply for PERLS V by either:

- completing the Application Form attached to the Prospectus and appropriately indicating that you are an Eligible Securityholder; or
- applying online at [www.commsec.com.au](http://www.commsec.com.au) and following the instructions.

## Section 2

# Details of the Offer

On the Application Form, you will be required to provide your SRN or HIN for your previous holding of PERLS II or your current holding of PERLS III, PERLS IV or Bank Ordinary Shares.

If you apply for PERLS V under the Securityholder Offer, you will receive priority over General Applicants, if there is excess demand for PERLS V.

If you do not appropriately indicate that you are an Eligible Securityholder, you will be taken to have applied in the General Offer and you will not be entitled to receive a priority in Allocation.

### 2.4.2 Applying under the General Offer

If you are not an Eligible Securityholder, and you wish to apply for PERLS V, you may apply for PERLS V by:

- completing the Application Form attached to the Prospectus; or
- applying online at [www.commsec.com.au](http://www.commsec.com.au) and following the instructions.

The General Offer will have a maximum size of \$50 million.

### 2.4.3 Applying under the Broker Firm Offer

If you are applying under the Broker Firm Offer, you should contact the broker who has offered you the Broker Firm Allocation for information about how and when to submit your Application Form.

The Broker Firm Offer is available to Australian residents who are clients of a broker to the Offer, including Eligible Securityholders.

### 2.4.4 Institutional Offer

Applications under the Institutional Offer may only be submitted through the Joint Lead Managers. Full details on how to participate, including order conditions, will be provided to Institutional Investors by the Joint Lead Managers.

### 2.4.5 Application Details

#### **Minimum Application**

The Application Price of each PERLS V is \$200. You must apply for a minimum of 25 PERLS V, which is a minimum investment of \$5,000. Applications for greater than 25 PERLS V (\$5,000) must be in multiples of 5 PERLS V (\$1,000).

#### **Obtaining a Prospectus and Application Form**

An electronic version of this Prospectus will be available at [www.commsec.com.au](http://www.commsec.com.au) and may be available through your

broker's website. If you access any electronic copy of this Prospectus, then you should read the "Electronic access to Prospectus" paragraph in the "Important Notices" section at the start of this Prospectus.

You can also request a free paper copy of this Prospectus and an Application Form by calling the **PERLS V Information Line on 1800 022 440** (inside Australia) or through your broker.

#### **Where to send your Application Forms**

Application Forms and accompanying cheques and/or money orders will not be accepted at the Bank's registered office or at any of the Bank's branches.

#### **Securityholder Offer and General Offer**

Completed Application Forms and accompanying cheques and/or money orders must be mailed or delivered to the Registry at:

<b>Mail Address</b>	or	<b>Delivery Address</b>
Link Market Services Ltd PERLS V Locked Bag A14 Sydney South NSW 1235		Link Market Services Ltd PERLS V Level 12, 680 George Street Sydney NSW 2000

Applications must be received at one of the above addresses by 5.00pm (Sydney Time) the Closing Date, expected to be 5.00pm (Sydney Time) 2 October 2009.

If you are applying online, you must submit both your Application and Application Monies online by the Closing Date, expected to be 5.00pm (Sydney Time) 2 October 2009.

#### **Broker Firm Offer**

Applicants who are applying under the Broker Firm Offer should **not** return their Application Form and Application Monies to the Registry but should instead return them to their broker in accordance with their broker's instructions.

You should ensure your broker receives your Application with sufficient time to allow processing of the Application by the Closing Date, expected to be 5.00pm (Sydney Time) 2 October 2009.

The Bank and the Registry take no responsibility for any acts or omissions by your broker in connection with your Application Form or Application Monies.

## Section 2

# Details of the Offer

### **No brokerage or stamp duty**

You do not have to pay brokerage or stamp duty on your Application for PERLS V. You may have to pay brokerage on any subsequent transfer of your PERLS V on ASX.

### **Refunds**

Until PERLS V are Allotted, the Bank will hold the Application Monies in a trust account. The account will be established and kept solely for the purpose of depositing Application Monies and dealing with those funds in accordance with the Corporations Act.

If you are Allocated less than the number of PERLS V you applied for in cash, you will receive a refund cheque as soon as practicable after the Closing Date.

**No interest will be payable on Application Monies. Any interest earned on Application Monies will be retained by the Bank.**

## 2.5 How to pay

### **2.5.1 Under the Securityholder Offer and General Offer**

Completed Application Forms must be accompanied by cheques and/or money orders in Australian dollars drawn on an Australian branch of a financial institution. Cheques and/or money orders should be crossed "not negotiable" and be made payable to "PERLS V Offer Account".

If you apply for PERLS V over the internet, you can choose to pay by either BPAY or cheque (however, the Bank may choose to limit cheque payments in the last week of the Offer).

### **2.5.2 Under the Broker Firm Offer**

If you have received a Broker Firm Allocation of PERLS V from a broker to the Offer, your Application and payment procedures will differ from those described above. Your completed Application Form and Application Monies must be delivered directly to the broker who offered you the Broker Firm Allocation (not to the Registry) in accordance with their instructions.

If you have a Broker Firm Allocation of PERLS V, you should contact the broker who offered you the Broker Firm Allocation for further instructions.

The Bank and the Registry take no responsibility for any acts or omissions by your broker in connection with your Application Form or Application Monies.

### **2.5.3 Institutional Offer**

Institutional Investors will be advised of payment and settlement details by the Joint Lead Managers.

## 2.6 Allocation Policy and Allotment

### **2.6.1 Bookbuild**

The Bookbuild is a process that will be conducted by the Joint Lead Managers in consultation with the Bank before the Opening Date. Brokers to the Offer and Institutional Investors will be invited to lodge bids for a number of PERLS V. On the basis of those bids, the Bank and the Joint Lead Managers will determine the Allocations of PERLS V to the Broker Firm Offer and Institutional Offer. The Bookbuild will be conducted under the terms and conditions agreed by the Bank and the Joint Lead Managers in the Offer Management and Subscription Agreement ("**OMSA**"). See Section 6.3 "Offer Management and Subscription Agreement".

### **2.6.2 Allocation Policy**

If there is excess demand for PERLS V after allocations to Applicants under the Institutional Offer and the Broker Firm Offer, Eligible Securityholders who apply under the Securityholder Offer will be given priority ahead of General Applicants.

Applications (excluding Applicants under the Broker Firm Offer) may be subject to scaling back. This may include scaling back to below the minimum Application of 25 PERLS V (\$5,000). Some Applications may be rejected.

In respect of any Application where the number of PERLS V allocated is less than the number applied for, or where no Allocation is made, any surplus Application Monies will be refunded as soon as practicable after the Offer closes.

**No interest will be payable on Application Monies. Any interest earned on the Application Monies will be retained by the Bank.**

### **2.6.3 Firm Allocations to Joint Lead Managers and brokers to the Offer**

Broker Firm Allocations to the Joint Lead Managers and other brokers will not be scaled back by the Bank. The distribution of firm Allocations to individual clients by the Joint Lead Managers and other brokers will be at the discretion of the relevant Joint Lead Manager or broker.



## Section 2

# Details of the Offer

### 2.6.4 Allotment

The Bank intends to issue approximately 4.5 million PERLS V at an Application Price of \$200 each, to raise approximately \$900 million, with the ability to raise more or less. The Offer will be conducted by way of a Bookbuild, to Institutional Investors and brokers to the Offer, a Securityholder Offer and a General Offer. The General Offer will have a maximum size of \$50 million.

The Bank will not Allot any PERLS V until it has been granted approval for PERLS V to be quoted on ASX and all proceeds from accepted Applications have been received by the Bank. The Bank intends to Allot PERLS V on 14 October 2009. The Bank may, in consultation with the Joint Lead Managers, change the Closing Date and the Issue Date or may withdraw the Offer at any time before Allotment.

Allotment will involve PERLS V being issued to the Initial Holder who will then transfer them to successful Applicants under the Offer. These arrangements are governed by the OMSA which is summarised in Section 6.3 "Offer Management and Subscription Agreement".

## 2.7 ASX Trading and Holding Statements

### 2.7.1 Commencement of trading of PERLS V on ASX

The contract formed on the acceptance of your Application for PERLS V by the Bank is conditional on settlement under the OMSA. The OMSA includes rights of termination summarised in Section 6.3 "Offer Management and Subscription Agreement". Until settlement under the OMSA occurs and PERLS V are Allotted to successful Applicants, trading in PERLS V will be on a conditional basis.

Conditional and deferred settlement trading in PERLS V is expected to commence on ASX on 13 October 2009. PERLS V are expected to be issued to the Initial Holder and transferred to successful Applicants on 14 October 2009, satisfying the condition of the conditional market.

If settlement under the OMSA and the Allotment of PERLS V does not occur within 10 Business Days after the commencement of conditional and deferred settlement trading:

- PERLS V will not be issued;
- the contract formed on acceptance of your Application will be cancelled;
- your Application Monies will be refunded without interest; and
- all conditional trades in PERLS V that have occurred will be cancelled.

After settlement under the OMSA and the issue and transfer of PERLS V, there will be a further period of deferred settlement trading until the dispatch of Holding Statements is completed, which is expected to occur on 19 October 2009. Trading is expected to continue on a deferred settlement basis until 20 October 2009 when trading of PERLS V is expected to commence on a normal settlement basis.

It is your responsibility to determine your Allocation before trading your PERLS V to avoid the risk of selling PERLS V you do not own. To assist you in determining your Allocation prior to receipt of the Holding Statement, the Bank will announce the basis of Allocation by placing advertisements in major national and metropolitan newspapers in Australia on 13 October 2009. After the basis of allocation has been determined, you may also call the **PERLS V Information Line on 1800 022 440** (Monday to Friday 8.30am – 7.30pm, Sydney Time) to seek information on your Allocation.

### 2.7.2 Provision of Holding Statements

The Bank will apply for PERLS V to participate in CHESSESS and, if official quotation is granted by ASX, no certificates will be issued.

Following the Allotment of PERLS V to successful Applicants, Holders will be sent a Holding Statement that sets out the number of PERLS V they have been Allotted in the Offer.

## Section 2

# Details of the Offer

**It is the responsibility of Applicants to determine their Allocation (if any) prior to trading in PERLS V. Applicants who sell PERLS V before they receive their Holding Statements will do so at their own risk. For more information, please call the PERLS V Information Line on 1800 022 440 (Monday to Friday 8.30am – 7.30pm, Sydney Time).**

Holders will receive subsequent statements showing any changes to their PERLS V holding.

### **2.7.3 Tax File Number and/or Australian Business Number**

You do not have to provide your Tax File Number (“**TFN**”) or Australian Business Number (“**ABN**”). However, the Bank may be required to withhold Australian tax at the maximum marginal tax rate (currently 46.5% including the Medicare levy) on the amount of any unfranked Distribution in respect of your PERLS V, if you do not provide any one of your:

- TFN;
- TFN exemption details (if applicable); or
- ABN (if PERLS V are held in the course of an enterprise carried on by a Holder).

You will be provided with a form on which to provide the above details when Holding Statements are mailed.

# Section 3

## Risks of Investing in PERLS V

This Section describes the potential risks associated with an investment in PERLS V.

Before applying for PERLS V, you should consider whether PERLS V are a suitable investment for you. You should be aware that there are risks associated with an investment in PERLS V, many of which are outside the control of the Bank, including the risk factors set out in this Section and other matters referred to in the Prospectus. The significant risks to which PERLS V are subject can be categorised as:

- risks associated with investing in PERLS V;  
and
- risks associated with the Bank.

## Section 3

# Risks of Investing in PERLS V

The summary of risks below is not exhaustive. You should read this Prospectus in its entirety and consult your financial adviser or other professional adviser before deciding whether to apply for PERLS V.

## 3.1 Risks associated with investing in PERLS V

Set out below are general risks associated with an investment in PERLS V. In particular, these risks arise from the nature of PERLS V, the Preference Share Terms and the Note Terms.

### 3.1.1 Market price and liquidity

The Bank will apply for quotation of PERLS V on ASX. However, the Bank is unable to predict the market price and liquidity of the market for PERLS V. The market price of PERLS V may fluctuate due to various factors, including general movements in:

- Australian and international economic conditions, interest rates, credit margins and equity markets;
- investor perceptions and sentiment;
- movements in the market price of debt and/or equity issued by the Bank, including outstanding Bank Ordinary Shares; and
- factors which may affect the Bank's financial position and earnings.

It is possible that PERLS V may trade at a market price below \$200 (the Face Value). Similar hybrid instruments, including PERLS IV issued by the Bank and other instruments issued by other banks have traded or are trading below their respective issue prices. This may be due to various factors, including Australian and international economic conditions, interest rates, credit margins, equity markets, company performance, terms of the particular securities, investor perceptions, and a range of other factors. The market price of PERLS V may be more sensitive than that of Bank Ordinary Shares to changes in interest rates, credit margins and other market prices.

The market for PERLS V may not be liquid and may be less liquid than the market for Bank Ordinary Shares or comparable securities issued by the Bank or other entities. Holders who wish to sell their PERLS V may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for PERLS V.

The risks associated with market price and liquidity will also apply to Bank Ordinary Shares if PERLS V are Converted (refer to Section 3.1.8 "Risks upon Conversion").

### 3.1.2 Distributions may not be paid

There is a risk that Distributions will not be paid. The payment of Distributions is at the discretion of the Board and Distributions can only be paid to the extent none of the following conditions exist:

- there is an Insufficient Distributable Profits Circumstance unless otherwise approved in writing by APRA; or
- the payment would result in the Risk Based Capital Ratio or the Tier 1 Capital Ratio of the Bank (on a Level 1, Level 2 or Level 3 basis as described by APRA) not complying with APRA Guidelines unless APRA otherwise gives its approval; or
- APRA has objected to the proposed payment; or
- APRA has stated that the payment will result in the Preference Shares no longer being treated as Non-Innovative Residual Tier 1 Capital of the Bank (on a Level 1, Level 2 or Level 3 basis as described by APRA).

The payment of Dividends is also subject to the Corporations Act or any other law not prohibiting the Bank paying the relevant Dividend.

Distributions are non-cumulative. If a Distribution is not paid in full for any particular Distribution Period, a Holder will not be entitled to receive that Distribution and will not receive that Distribution unless the Bank, subject to APRA's prior approval, causes the Distribution to be made up by paying an Optional Dividend.

The Preference Share Terms and the Note Terms contain no events of default and accordingly failure to pay a Distribution when scheduled does not constitute an event of default. The Holder does not have the right to apply for the Bank to be wound up, or placed in administration, or cause a receiver or a receiver and manager to be appointed in respect of the Bank merely on the grounds that the Bank does not pay a Distribution when scheduled under PERLS V.

Where a Distribution is not paid within 20 Business Days after the relevant Distribution Payment Date, the Dividend Stopper will apply. This means that the Bank must not declare or pay any dividends or distribution or pay any interest from the income or capital of the Bank, return any capital or undertake any buy-backs, redemptions or repurchases, in relation to Bank Ordinary Shares, Existing

## Section 3

# Risks of Investing in PERLS V

Capital Securities (except as set out below) or any securities of the Bank that rank or are expressed to rank for interest payments, dividends or distributions equally with or junior to the Notes (or if the Notes are no longer on issue or have become obligations of a Substituted Issuer, would have ranked equally with or junior to them whilst owed by the Bank) or Preference Shares unless and until:

- a Special Resolution of Holders authorising the payment, capital return, buy-back, redemption or repurchase is approved, and APRA does not otherwise object;
- an Optional Dividend in an amount in aggregate equal to the unpaid amount for the preceding four consecutive Distribution Periods has been paid to Holders;
- four consecutive Dividends scheduled to be payable on PERLS V thereafter have been paid in full; or
- all PERLS V have been Exchanged.

The Dividend Stopper will not apply to Existing Capital Securities where the Distribution on PERLS V is not paid solely because an Insufficient Distributable Profits Circumstance exists in relation to the relevant Distribution Payment Date. In these circumstances, distributions may be made on Existing Capital Securities when they cannot be made in relation to PERLS V.

The main exceptions to the Dividend Stopper, which are payments the Bank is permitted to make even if the relevant Distribution is not paid in full, include pro rata payments on the securities of the Bank to which the Dividend Stopper then applies that rank or are expressed to rank for interest payments, dividends or distributions equally with PERLS V.

The Bank may also be subject to similar constraints on payment of dividends or return of capital on Bank Ordinary Shares and certain other Tier 1 Capital instruments if a distribution has not been paid on other Bank securities or securities that the Bank may issue in the future. If such a constraint applies, the Bank may not be able to make payments on PERLS V unless approval is obtained from the holders of the relevant securities.

### 3.1.3 Distributions may not be fully franked

The Bank expects that Distributions will be fully franked. The value and availability of franking credits to a Holder will differ depending on the Holder's particular tax circumstances. Holders should also be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution.

Distributions payable on PERLS V may also be unfranked or not fully franked. If a Distribution is unfranked or not fully franked, it will, subject to the Payment Tests, generally be increased by a cash amount to compensate Holders for the unfranked portion of the Distribution.

The Bank understands that the ATO may form the view that the benefits of the franking credits should be denied to Holders even if the Bank has franked the relevant Distribution. If the ATO forms the view that franking credits should be denied to Holders, the Bank intends to have that view tested in court.

The Bank and the ATO have agreed to certain arrangements that will ensure that Holders will not be impacted by this process. In the event the ATO view is sustained the Bank has agreed to make a payment to the ATO to compensate it and in practice the benefits of the franking credits will be allowed to Holders.

Holders who do not seek to independently challenge the ATO view will not be impacted. For any Holders who choose to challenge the ATO view independently the Bank will not gross up Interest payments and the Bank will not make any payment on behalf of the tax liability of such Holders. Further details of the arrangements and the tax treatment are contained in the Taxation Letter in Section 5 "Taxation Information" and Section 7.2 "ATO Agreement".

In the event that the ATO view is sustained, the Bank will elect that an Assignment Event occurs in respect of all Notes, such that Holders will hold the Preference Shares (see Section 1.8.2 "What happens if an Assignment Event occurs?"). The benefits of the franking credits attached to Dividends paid on Preference Shares should not be denied to Holders.

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# Risks of Investing in PERLS V

### 3.1.4 The Distribution Rate may fluctuate

The Distribution Rate is the sum of the Market Rate and the Margin of 3.4000% per annum and is calculated for each Distribution Period. The Market Rate is the Bank Bill Swap Rate. It is influenced by a number of factors and will fluctuate (both increase and decrease) over time. Please refer to the chart below for historical movements in the Bank Bill Swap Rate.

As the Distribution Rate on PERLS V fluctuates, there is a risk that the Distribution Rate payable on PERLS V will become less attractive when compared to the rates of return available on comparable securities issued by the Bank or other entities.

### 3.1.5 No fixed maturity date

PERLS V are effectively perpetual instruments. Accordingly, your investment in PERLS V has no stated maturity date and you do not have a right under the Preference Share Terms or the Note Terms to request Exchange of your PERLS V.

### 3.1.6 Resale may not occur or complete

The Bank may elect to arrange for a Resale of PERLS V on a Conversion Date or if a Regulatory Event, NOHC Event or Tax Event occurs. If the Bank elects to arrange for a Resale of PERLS V, the Bank must procure a third party (the Purchaser) to undertake, on terms and conditions reasonably determined by the Bank, to acquire all PERLS V for \$200 (the Face Value) each.

There is a risk that the Bank either does not choose or is unable to arrange a Resale. This may be because the Bank is unable to find a Purchaser who is willing to acquire all PERLS V on terms and conditions acceptable to the Bank. It is the Purchaser's obligation to pay the consideration for the PERLS V that are to be Resold.

Even if the Bank is able to find a Purchaser, there is a risk that Resale will not occur either because the Purchaser is unable to pay the Face Value consideration for each PERLS V that it is acquiring or because the conditions to which such Resale is subject are not satisfied or waived within the appropriate period. The Bank has no obligation to pay the Face Value consideration for each PERLS V if it is not paid by the Purchaser.

If the Purchaser does not deliver cash equal to the Face Value to Holders or the Resale otherwise does not complete, Holders will continue to hold PERLS V until the next Conversion Date on which Conversion, Resale or Repurchase will occur unless the Bank, subject to APRA's prior written approval, elects to Exchange all of the relevant PERLS V on issue within 45 Business Days after the scheduled Conversion Date on which Resale did not occur.

### 3.1.7 Conversion may not occur on the Initial Conversion Date or at all

PERLS V will Convert into Bank Ordinary Shares on 31 October 2014 (the Initial Conversion Date) if the Conversion Conditions are satisfied. However, the Bank may instead elect to arrange for a Resale of PERLS V on this date so that Conversion does not occur.

There is a risk that Conversion will not occur because the Conversion Conditions are not satisfied. The Conversion Conditions will not be satisfied if:

- there is a fall in the price of Bank Ordinary Shares relative to the Issue Date VWAP that causes the First Conversion Condition or Second Conversion Condition to not be satisfied;
- Bank Ordinary Shares cease to be quoted on ASX, or have been suspended from trading for at least

### 90 day Bank Bill Swap Rate history



Source: Bloomberg, 20 August 1999 – 20 August 2009

Note: This chart shows historical movements in the Bank Bill Swap Rate. Past levels are not necessarily indicative of future levels.

## Section 3

# Risks of Investing in PERLS V

five consecutive Business Days prior to, and remain suspended on, the relevant Conversion Date; or

- the Bank has elected to Resell PERLS V.

If the First Conversion Condition, Second Conversion Condition or Third Conversion Condition is not satisfied, the Bank may, subject to APRA's prior written approval, elect to Repurchase all PERLS V for cash. If PERLS V are not Repurchased and not Resold on the Initial Conversion Date, Conversion will occur on the next Distribution Payment Date (a Conversion Date) on which all of the Conversion Conditions are satisfied. As PERLS V are effectively perpetual securities, it is possible that Conversion could be postponed indefinitely if the Conversion Conditions are never satisfied.

Where the Bank raises additional ordinary share capital or undergoes some other form of capital reconstruction, the Bank Ordinary Share price may be adversely impacted by the change. The Issue Date VWAP (which is relevant in determining whether the Conversion Conditions are satisfied, as noted above) will be adjusted for bonus issues, rights issues, off-market buy-backs and pro-rata returns of capital in accordance with the Preference Share Terms. However, any other forms of capital raising or reconstruction may not result in an adjustment, since any adjustment would be subject to APRA approval and Board discretion. Without an adjustment, the Conversion Conditions may be less likely to be met and Exchange may be postponed as outlined above.

If Conversion does not occur on a possible Conversion Date, Distributions will continue to be paid on PERLS V, subject to the Payment Tests (refer to Section 1.4.9 "Will Distributions always be paid?").

### 3.1.8 Risks upon Conversion

The number of Bank Ordinary Shares issued on Conversion will depend on the Bank Ordinary Share price over the 20 Business Days on which trading in Bank Ordinary Shares takes place immediately before the Conversion Date. The market price on the Conversion Date of each Bank Ordinary Share issued may therefore be different to the price used to calculate the number of Bank Ordinary Shares to be issued.

The value of Bank Ordinary Shares after Conversion will depend on the market price of Bank Ordinary Shares after the Conversion Date. The market price of Bank Ordinary Shares will fluctuate due to various factors, including investor perceptions, domestic and worldwide economic conditions and factors that affect the Bank's financial performance and position. The risks described in this Section 3 "Risks of Investing in PERLS V" may have an

impact on the market price of Bank Ordinary Shares to a greater or a lesser extent than that of PERLS V.

There are possible events and conditions that may affect the ability of Holders to trade or dispose of the Bank Ordinary Shares that are issued on Conversion. These may include the willingness or ability of ASX to accept the Bank Ordinary Shares issued on Conversion for listing or any practical issues which affect that listing, any disruption to the market for Bank Ordinary Shares or to capital markets generally.

The market for Bank Ordinary Shares may not be liquid and may be less liquid than the market for comparable securities issued by other entities. Holders who wish to sell their Bank Ordinary Shares may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for Bank Ordinary Shares.

### 3.1.9 Exchange is subject to certain events occurring

A Holder does not have any right to request or require an Exchange of their PERLS V. The Bank may, subject to APRA's prior written approval, choose to Exchange all or some PERLS V after a Tax Event, a Regulatory Event or a NOHC Event. The choice of Conversion on such a date is subject to the Optional Exchange Conversion Conditions – see Section 1.6.3 "What are the Optional Exchange Conversion Conditions?".

The Bank must, subject to APRA's prior written approval, Exchange all (but not only some) PERLS V on a Conversion Date (the first occurring on 31 October 2014) or after an Acquisition Event. The choice of Conversion on such a date is subject to certain conditions – see Section 1.5.8 "What are the Conversion Conditions?".

### 3.1.10 Exchange on an Acquisition Event

Where the Bank has chosen to Exchange all PERLS V following an Acquisition Event, the Exchange of PERLS V is subject to obtaining APRA's prior written approval. APRA is not obliged to give this approval and, depending on the facts and circumstances existing at the time of any Acquisition Event, may not do so.

If the Board considers that APRA will not approve the Exchange, or the Second Conversion Condition or Third Conversion Condition would not be satisfied in respect of the relevant Exchange Date, the Board is required to use all reasonable endeavours to procure that an equivalent takeover offer be made to Holders, or that Holders are entitled to participate in the scheme of arrangement or a similar transaction (see clause 7.8 of the Preference Share Terms). However, any acquirer or bidder for the Bank may not agree to do so.

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### **3.1.11 Conversion, Repurchase or Resale may not coincide with your personal investing preferences**

Exchange may occur on dates not previously contemplated by Holders (including before the Initial Conversion Date). Therefore, the period for which Holders will be entitled to the benefit of the rights attaching to PERLS V is unknown.

The Bank may elect to Exchange PERLS V before the Initial Conversion Date if a Regulatory Event, Tax Event or NOHC Event occurs. In particular, the Bank may elect to implement a NOHC structure at anytime, causing a NOHC Event to occur and therefore permitting the Bank to Exchange PERLS V.

In addition, the Exchange consideration may not coincide with Holders' individual preferences and may be disadvantageous to some or all Holders in light of market conditions or individual circumstances.

If Holders receive cash upon Exchange, the rate of return at which Holders can reinvest their funds may be lower than the Distribution Rate applicable to PERLS V. The cash received may also be more or less than the price paid by Holders for their PERLS V.

If Holders receive Bank Ordinary Shares, the number of Bank Ordinary Shares to be issued on Exchange depends on the VWAP of Bank Ordinary Shares during the 20 Business Days, on which trading in Bank Ordinary Shares takes place, prior to Exchange. This means that Conversion may occur at a price that exceeds the market price for Bank Ordinary Shares on the Exchange Date (Refer to Section 3.1.8 "Risks upon Conversion").

Where you receive Bank Ordinary Shares on Conversion you will have the same rights as other Bank Ordinary Shareholders which are different to the rights attaching to PERLS V.

### **3.1.12 Exchangeable for cash in limited circumstances only**

PERLS V are not Exchangeable for cash unless:

- the Bank elects, subject to APRA's prior approval, to Repurchase PERLS V, either on a Conversion Date or following the occurrence of a Regulatory Event, NOHC Event, Tax Event or Acquisition Event; or
- the Bank elects to arrange for a Resale of PERLS V on a Conversion Date or, subject to APRA's prior approval, following the occurrence of a Regulatory Event, NOHC Event or Tax Event.

### **3.1.13 Ranking**

PERLS V are not deposit liabilities or savings accounts of the Bank. PERLS V are not subject to the depositor protection provisions of Australian banking legislation. PERLS V do not represent a deposit liability of the Bank or the Bank's New Zealand branch for the purposes of the Banking Act nor are they insured or guaranteed by any government agency or compensation scheme of Australia, New Zealand or any other jurisdiction. This means that payment of Distributions and payment on Resale or Repurchase of PERLS V is not guaranteed by the Bank, nor the Australian or New Zealand Governments.

PERLS V are issued by the Bank under the Preference Share Terms and the Note Terms. A Holder has no claim on the Bank in respect of PERLS V except as provided in the Preference Share Terms and the Note Terms. PERLS V are unsecured.

On a winding-up of the Bank, an Assignment Event will occur. If this occurs, the Notes are expected to be de stapled and assigned to the Bank or its nominee and Holders will hold only Preference Shares. The rights of Holders of Preference Shares to receive a return of capital (or any distributions that may be owing) in a winding-up rank ahead of the Bank's Ordinary Shareholders; equally with the holders of the Bank's other preference shares (subject to the terms thereof) and behind the Bank's liabilities to depositors and other creditors (subject to the terms of the claims of such creditors). The claims of depositors and creditors include all deposits made with the Bank, including ordinary bank account deposits. If there is a return of capital in a winding-up of the Bank, Holders will be entitled to receive out of the assets of the Bank available for distribution to holders of shares in the capital of the Bank, in respect of each Preference Share held, a cash sum of the amount equal to the sum of the amount of any Distribution due but unpaid and the Face Value, before any return of capital is made to holders of Bank Ordinary Shares or any other classes of shares or Capital Securities ranking behind Preference Shares.

Preference Shares do not confer on the Holders any further right to participate in the surplus assets of the Bank on a winding-up of the Bank. As Preference Shares rank behind creditors, there is a risk that in the event of a winding-up of the Bank there will be insufficient funds to provide a return of capital to Holders.



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# Risks of Investing in PERLS V

The Bank may only make a return of capital on PERLS V prior to a winding-up (by redeeming, buying back or otherwise cancelling PERLS V) with APRA's approval.

Under certain circumstances, the terms of the Bank's Existing Capital Securities (or new instruments that the Bank may issue) could limit the Bank's ability to make payments on PERLS V.

### 3.1.14 Credit ratings may change

In light of the difficulties in the banking sector and financial markets, the rating agencies have indicated they are watching global developments closely and that if conditions continue to deteriorate, they may downgrade the rating or ratings outlook of some Australian banks.

The credit rating of the Bank and PERLS V may be downgraded, withdrawn or suspended as a result of changes in the Bank's operating performance or capital structure, the occurrence of one or more of the other risks discussed in this Prospectus, changes to the relevant policy of one or more of the independent rating agencies, or for some other reason.

These risks could affect the market price and liquidity of PERLS V. The credit rating of PERLS V may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or trading value of, PERLS V. Another major rating agency (other than Standard & Poor's) issued a report in June 2009, stating that they were reviewing their methodology for rating bank hybrids which may adversely impact the trading price of PERLS V. Whilst no rating has been sought for PERLS V from that agency there is a risk that they will downgrade the credit rating of similar securities issued by banks, including PERLS III and PERLS IV. A downgrade to other Tier 1 hybrid securities could adversely affect the market price and liquidity of PERLS V.

If the Bank fails to maintain its current corporate credit rating, this may adversely affect its cost of funds and related margins, access to capital markets, competitive position and other aspects of its performance, and consequently the performance of PERLS V.

Credit ratings are not "market" ratings, nor are they a recommendation to buy, hold or sell securities (including PERLS V) and are subject to revision or withdrawal at any time. The credit ratings do not reflect the potential impact of all risks related to the structure under which PERLS V are issued, market and additional factors disclosed in this Section 3 "Risks of Investing in PERLS V", and other factors

that may affect the value of PERLS V or the Bank's financial performance or position.

### 3.1.15 Taxation policy may change

A general description of the Australian taxation consequences of investing in PERLS V, including a Holder's ability to claim franking credits, is set out in the Taxation Letter from Greenwoods & Freehills in Section 5 "Taxation Information". This discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, investors should seek independent advice in relation to their individual tax position.

If there is a change of law, policy or practice that adversely affects the tax position of the Bank, or a Holder's ability to claim franking credits, a Tax Event may occur. This would give the Bank the right to elect to Exchange PERLS V.

The Bank has applied for a Class Ruling from the Australian Taxation Office for confirmation of certain Australian tax consequences for certain PERLS V Holders as discussed in the Taxation Letter in Section 5 "Taxation Information". The date of issue of any Class Ruling is not known.

### 3.1.16 Regulatory classification may change

APRA has approved the classification of PERLS V as Non-Innovative Residual Tier 1 Capital. However, if APRA subsequently determines that PERLS V do not constitute Non-Innovative Residual Tier 1 Capital, a Regulatory Event may occur which would entitle the Bank to Exchange PERLS V. In addition, APRA may determine that a Distribution should not be paid, or that a higher Risk Based Capital Ratio or Tier 1 Capital Ratio is required before any Distribution can be paid.

### 3.1.17 Accounting standards may change

In addition to the risk of triggering a Regulatory Event, a change in accounting standards by either the International Accounting Standards Board or Australian Accounting Standards Board may affect the reported earnings and financial position of the Bank in future financial periods. This may adversely affect the ability of the Bank to pay Distributions.

### 3.1.18 Future issues of securities by the Bank

The Bank and other members of the Bank Group may in the future issue securities that:

- rank for distributions or payments of capital (including on the winding-up of the Bank or another member of the Bank Group) equally with, behind or ahead of PERLS V;

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# Risks of Investing in PERLS V

- have the same or different dividend, interest or distribution rates as PERLS V; or
- have the same or different terms and conditions as PERLS V.

A holding of PERLS V does not confer any right to participate in future issues by the Bank, whether of equity, debt or some other security. In addition, other entities in the Bank Group may issue other securities with the same or different dividend or interest rates and on the same or different terms to PERLS V.

No prediction can be made as to the effect, if any, such future issues of securities by the Bank or other entities may have on the market price or liquidity of PERLS V or Bank Ordinary Shares into which PERLS V may Convert.

### 3.1.19 A NOHC Event changes the risk associated with the Bank and PERLS V

If a NOHC Event occurs, the Bank may elect to Exchange PERLS V. If the Bank does not elect to Exchange PERLS V, there may be new risks associated with PERLS V:

- Credit Rating – there is a risk that the credit rating of the Bank and PERLS V may change as a result of the NOHC Event (see Section 3.1.14 “Credit ratings may change” for the impacts of a change in credit rating).
- Upstream NOHC – if an Upstream NOHC Event occurs, the Bank may sell the life and funds management business, and other subsidiaries, to a parent entity or another subsidiary of a parent entity. As a result, the profits and net asset position of the Bank may materially decrease, affecting the ability of the Bank to meet its obligations under PERLS V. If an Upstream NOHC Event occurs, there is also a risk that a parent entity of the Bank (such as the NOHC) or sibling entity of the Bank (such as a subsidiary of the NOHC that is not also a subsidiary of the Bank) may issue Tier 1 Capital instruments that are not subject to the Dividend Stopper.
- Downstream NOHC – if a Downstream NOHC Event occurs, the Bank will become the Bank Group’s holding company and will no longer be a regulated bank. The new banking entity will be able to issue preference shares and other Tier 1 Capital instruments that are not subject to the Dividend Stopper, and, in certain circumstances, that may prevent the new banking entity paying dividends to the Bank. This could affect the ability of the Bank to meet its obligations regarding PERLS V.

Whether or not the Bank elects to Exchange PERLS V following a NOHC Event, as well as how the Bank implements a NOHC restructure, may have implications for Holders, including tax consequences (refer to the Taxation Letter in Section 5 “Taxation Information”).

### 3.1.20 Shareholding ownership restrictions

The Financial Sector (Shareholdings) Act 1998 (Cth) restricts ownership by a person (together with their associates) of an Australian bank to 15% of the voting power of a bank. A Bank Ordinary Shareholder may apply to the Australian Treasurer to extend its ownership beyond 15%, but approval will not be granted unless the Treasurer is satisfied that a holding by that person of greater than 15% is in the national interest.

Mergers, acquisitions and divestments of Australian public companies listed on ASX are regulated by legislation and rules and regulations of ASX. These provisions include restrictions on the acquisition and sale of relevant interests in certain shares in an Australian listed company under the Corporations Act and a requirement that acquisitions of certain interests in Australian-listed companies by foreign interests are subject to review and approval by the Treasurer.

These regulations are relevant to holdings of Bank Ordinary Shares. Holders should take care to ensure that by acquiring any PERLS V (taking into account any Bank Ordinary Shares into which they may Convert), they do not breach any applicable ownership restriction.

## 3.2 Risks associated with the Bank

Set out below are general risks associated with the Bank. These risks will be relevant to an investment in PERLS V to the extent they affect the ability of the Bank to meet its obligations to Holders. If PERLS V are Converted, these risks will also be relevant to Bank Ordinary Shares issued on Conversion.

### 3.2.1 Economic risk

The Bank’s performance is primarily influenced by economic conditions in Australia and New Zealand, including the level and cyclical nature of the Bank’s business activities in these countries, which in turn are affected by both domestic and international economic and political events.

The ongoing dislocation in credit and capital markets has impacted global economic activity including the economies of Australia and New Zealand which have slowed and are experiencing rising unemployment. This disruption has led to a decrease in credit growth and a reduction in consumer business confidence. These factors have had an adverse

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impact on demand for the Bank's financial services and products. A further downturn in the Australian and New Zealand economies could adversely impact the Bank's results of operations, liquidity, capital resources and financial conditions.

In addition to general economic factors, there are a number of factors which may affect the profitability of all banks in Australia, including the Bank. These include but are not limited to, short-term and long-term interest rates, inflation and monetary supply, commodities volatility and prices, fluctuations in both debt and equity capital markets and relative changes in foreign exchange rates.

Australian and New Zealand economic conditions may also be affected by geopolitical instability, including, among other factors, actual or potential conflict and terrorism. Future performance may also be affected by the economic conditions of other regions in which the Bank conducts operations.

It is also possible that new risks may emerge as a result of markets experiencing extreme stress, or existing risks may manifest in ways that are not currently foreseeable.

The Bank's ability to pay distributions, including on PERLS V, may be affected by its performance and profitability.

### 3.2.2 Credit risk

As a financial institution, the Bank is exposed to the risks associated with extending credit to other parties. The Bank's lending activities cover a broad range of sectors and clients. Residential property lending, together with property finance, including real estate development and investment property finance, constitute important businesses for the Bank. Lending to Australian companies is another significant part of the Bank's business.

Unfavourable or less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, could expose the Bank to the increased risk that customers will fail to meet their obligations in accordance with agreed terms. The amount of provisions the Bank holds to cover credit impairment is determined by assessing the risk of losses within the current lending portfolio, based on currently available information. Similarly, in assessing whether to extend credit or enter into other transactions with customers, the Bank relies on information or representations provided by or on behalf of customers. If the information upon which these assessments are made proves to be inaccurate or misleading, the Bank's financial performance could be negatively impacted.

Recent market and economic conditions have led to increased impairment charges, and if these conditions deteriorate further, some customers and counterparties may experience higher levels of financial stress. As a result, the Bank has experienced, and may continue to experience, an increase in defaults and write-offs and may be required to further increase its provisioning. Again, these may negatively impact the Bank's financial performance and capital position.

### 3.2.3 Market risk

Market risk is the risk of an adverse event in the financial markets that may result in a loss of earnings to the Bank. It includes the risk to earnings caused by:

- changes in interest rates, foreign exchange rates and changes to equity, commodity, property and other market prices; and
- liquidity and funding risk (for further details see Section 3.2.4 "Liquidity and funding risks").

The Bank is exposed to market risk as a consequence of its trading activities in financial markets and through the asset and liability management of its overall financial position.

- In the financial markets trading businesses, the Bank is exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, and commodity and equity prices. The recent period of increased market volatility has increased the Bank's earnings at risk, as measured by value at risk (VAR).
- In the Bank's wealth management business, earnings are in part dependent on asset and equity values and demand is affected by past investment performance. A continuation of declines in global markets, including equity, property and other asset markets, will impact the Bank's operation and profitability.

Declining asset prices may also impact customers and the value of security the Bank holds against loans, which then may impact its returns if customers were to default. If the Bank were to suffer substantial losses due to any such market volatility, for example if declines in global asset markets were to continue, it would adversely affect the results of operations and its financial condition.

Additionally, as the Bank's financial statements are prepared and presented in Australian dollars, any appreciation in the Australian dollar against other currencies in which the Bank earns revenues (particularly the New Zealand dollar) may adversely affect the reported earnings and consequently shareholder equity and capital ratios.

## Section 3

# Risks of Investing in PERLS V

### 3.2.4 Liquidity and funding risks

Liquidity risk is the risk that the Bank is unable to meet its financial obligations when they fall due as a result of mismatches in its cash flows from financial transactions.

Funding risk is the risk of over-reliance on a particular funding source, affecting the volatility in the cost or availability of funds to the Bank.

The Bank relies upon both customer deposits and wholesale borrowing on an ongoing basis to ensure that it continues to meet its funding obligations and to maintain or grow its business generally. In times of market stress, or in the event of damage to market confidence in the Bank, the Bank's ability to access sources of funding may be constrained.

Since the second half of 2007, developments in the US sub-prime mortgage industry and in the US and European markets more generally, have adversely affected the liquidity in global credit and capital markets. This has resulted in an increase in the cost of wholesale funds throughout global credit markets including Australia, and in many cases a reduction in the availability of some funding sources.

The Bank utilises various funding sources including wholesale funds and asset securitisation. The availability of these funds has decreased, particularly in relation to longer term securities. The overall cost of funds has increased significantly and may continue to do so. To mitigate the increase in overall cost and manage the constraints on funding, the Bank has reviewed, and continues to review, its pricing model and funding mix to ensure that products are appropriately priced. However, ongoing instability or future deterioration in these market conditions may limit the Bank's ability to replace maturing liabilities and access capital in a timely manner necessary to fund and grow its business. The duration and ramifications of, and the likelihood of ongoing instability or further deterioration in, global credit and capital market conditions are unknown.

In the event that the Bank's current sources of funding prove to be insufficient, some of the potential ramifications are that it may be forced to seek alternative financing, the availability of which will depend on a variety of factors. In addition, these alternatives may be more expensive or on unfavourable terms. If the Bank is unable to source appropriate funding, it may be forced to reduce its lending or begin to sell liquid securities with no assurance that favourable prices can be obtained on the securities the Bank offers for sale. These actions may adversely impact the Bank's performance and results.

The policies of the RBA and the policies of central banks in other countries in which the Bank operates, help determine the Bank's cost of funds for lending and investing and the return that the Bank will earn on those loans and investments. This impacts the Bank's net interest margin and therefore its profitability.

The Bank is rated AA (stable outlook) by Standard & Poor's and Aa1 (negative outlook) by Moody's. The Bank's credit rating has a significant impact on both the Bank's access to and cost of funding. A reduction in the Bank's credit rating could reduce the Bank's access to wholesale debt markets and lead to an increase in funding costs. See Section 3.1.14 "Credit ratings may change".

### 3.2.5 Government action to stabilise financial markets may not achieve desired effects

In response to the current financial crisis, the Australian Government announced on 12 October 2008 that it would guarantee deposits and wholesale term funding of eligible Australian financial institutions. A deed of guarantee in connection with the Australian Government Guarantee for Large Deposits and Wholesale Funding was executed on 20 November 2008 (effective from 28 November 2008).

Similar stabilising actions have been taken by governments and regulatory bodies in New Zealand, the United States, the United Kingdom, Europe and other jurisdictions.

The impact that these stabilisation packages and other regulatory action may have on financial markets and the level of volatility, consumer and investor confidence, or other factors, is uncertain. Further declines in these factors may have further adverse effects on the Bank's business and performance. It is also uncertain if or when these stabilisation actions will be removed.

The withdrawal of the Australian government guarantee scheme for large deposits and wholesale funding may adversely impact the Bank's ability to access sources of funding and liquidity and lead to an increase in funding costs.

As noted in Section 3.1.13 "Ranking", PERLS V do not represent a deposit liability of the Bank or the Bank's New Zealand branch for the purposes of the Banking Act nor are they insured or guaranteed by any government agency or compensation scheme of Australia, New Zealand or any other jurisdiction.

### 3.2.6 Capital Adequacy Risk

The Bank's capital base is required to manage its business and access funding. The Bank is required by regulators, including APRA to maintain adequate regulatory capital.

## Section 3

# Risks of Investing in PERLS V

Under APRA's current regulatory requirements the capital required to be held against the Bank's assets increases as a counterparty's assessed level of risk worsens. These additional regulatory capital requirements compound the capital reduction resulting from provisions from loan losses. Accordingly, greater volatility in the Bank's capital adequacy ratios may occur.

### 3.2.7 Operational risk

Operational risk is defined as the potential variation in the value of the Bank's businesses, other than those captured in credit and market risk. It comprises risks associated with:

- processes, systems, data or people – for example, failure to comply with laws, regulations or policies, fraud or error, and systems failure;
- the capacity of the existing systems to keep pace with industry developments, effectively accommodate planned growth, and integrate with future acquisitions and alliances;
- operational failings by third-party providers – for example, inadequacy of internal third-party information technology systems, outsourcing; and
- external events – for example, pandemics, natural disasters, political, security and social events or failings in the financial services sector.

To manage some of these risks the Bank has formulated and implemented disaster recovery and systems continuity plans. However, any failure in these systems could result in business interruption, loss of customers, damage to reputation and a weakening of the Bank's competitive position and could adversely impact the Bank's business and have a material adverse effect on its financial condition and operations.

### 3.2.8 Financial Reporting Risk

Under Australian Accounting Standards and the Bank Group's accounting policy the following financial instrument classifications are measured at fair value subsequent to initial recognition:

- assets and liabilities at fair value through the income statement;
- available for sale investments; and
- derivative assets and liabilities.

All instruments measured at fair value subsequent to initial recognition use quoted market prices where an active market exists. Non-market quoted financial instruments are valued using valuation techniques based on observable

market inputs. In a limited number of instances valuation techniques are not based on observable market data.

The valuation techniques adopted rely on assumptions and judgements to derive cash flows and determine appropriate discount rates. Due to the cash flows and discount rates used to determine fair values being significantly influenced by market conditions, ongoing market volatility could have a material adverse effect on the Bank Group's earnings.

### 3.2.9 Underwriting

As a financial intermediary, a subsidiary of the Bank underwrites listed and unlisted debt, equity-linked and equity securities. It may guarantee the pricing and placement of these securities and could suffer losses if it fails to syndicate or sell down its risk to other market participants.

### 3.2.10 Litigation and contingent liabilities

From time to time the Bank may be subject to material litigation or governmental, legal or arbitration proceedings and other contingent liabilities which, if they occur, may adversely affect the Bank's results.

### 3.2.11 Regulatory risk

The Bank is subject to the laws and regulations of Australia and the other countries in which the Bank and its subsidiaries have operations, trade or raise funds, or in respect of which they have some other connection. In conjunction with these laws and regulations, a number of agencies have regulatory oversight of the Bank and its subsidiaries, including, among others, APRA, the RBA, ASX and ASIC. Whilst the Bank maintains extensive compliance procedures, regulatory and other governmental agency reviews of aspects of the Bank's operations, procedures and conduct may occur from time to time. Among other things, ASIC is currently in the course of investigating the Bank's conduct in relation to Storm Financial and aspects of the Bank's continuous disclosure compliance in respect of its December 2008 capital raising. The Bank has established a resolution scheme for clients of Storm Financial who borrowed money from the Bank. The resolution scheme will consider individual claims on a case by case basis and the Bank believes that appropriate provisions are held to cover the outcomes and costs of the scheme.

To the extent that laws and any other regulatory requirements limit the Bank's operations and flexibility, they could adversely affect its profitability and prospects. A failure to comply with any laws, regulations or policies in any jurisdiction where the Bank operates could result in sanctions by regulatory agencies, liability to the Bank or damage to its reputation.

## Section 3

# Risks of Investing in PERLS V

Regulatory and other governmental agencies (including revenue and tax authorities) frequently review banking and tax laws, regulations and policies. The current global financial crisis is likely to lead to changes in regulations, particularly for financial companies, in most markets in which the Bank operates. Changes to laws, regulations or policies, including changes in interpretation or implementation of laws, regulations or policies, could affect the Bank in substantial and unpredictable ways. These may include changing required levels of bank liquidity and capital adequacy, limiting the types of financial services and products that can be offered and/or increasing the ability of non-banks to offer competing financial services or products, as well as changes to prudential regulatory requirements.

### 3.2.12 Reputation risk

Reputation risk may arise through the actions of the Bank and adversely affect perceptions of the Bank held by the public, shareholders, investors, regulators or rating agencies. The impact of a risk event on the Bank's reputation (e.g. operational or credit events), may exceed any direct costs and extend through to the goodwill of the Bank's business.

Damage to the Bank's reputation may have wide ranging impacts, including on the Bank's profitability, capacity to source funding and liquidity, cost of sourcing funding and liquidity and by constraining business opportunities.

### 3.2.13 Strategic and acquisition risk

These are risks associated with strategic and business decisions made by the Bank in the ordinary course of business.

The Bank regularly examines a range of corporate opportunities including material acquisitions with a view to determining whether those opportunities will enhance its financial performance and position. Any corporate opportunity that is pursued could, for a variety of reasons, turn out to have a material adverse effect on the Bank's profitability. The successful implementation of the Bank's corporate strategy will depend on a range of factors including potential funding strategies and challenges associated with integrating and adding value to an acquired business. The Bank's operating performance or capital structure may also be affected by corporate opportunities and there is a risk that the Bank's credit ratings may be placed on credit watch or downgraded if corporate opportunities are pursued.

In October 2008, the Bank acquired Bank of Western Australia Ltd ("**Bankwest**"), St Andrew's Australia Pty Ltd

("St Andrew's") and HBOS Australia Group (Services) Pty Ltd from HBOS plc. While the Bank considers these acquisitions have the potential to result in substantial cost synergies, there is no assurance that the Bank will be able to achieve the business growth opportunities, cost savings and other benefits it anticipates from these acquisitions. The assumptions upon which the Bank assessed these acquisitions, including the anticipated benefits and the factors it used to determine the consideration, may prove to be incorrect.

There are also risks associated with the operation of these businesses in conjunction with the Bank's existing operations. This risk exists in respect of the streamlining of administrative functions, systems and processes for the Bankwest retail banking business and the risk of integrating both Bankwest's business and corporate banking and St Andrew's' insurance and investments businesses with the Bank. The risk is that these strategies may not be executed according to plan and that unanticipated additional costs will be incurred in implementing these strategies. Unanticipated delays in the streamlining and integration may also impact the Bank's assumptions regarding the benefits it expects to derive from the acquisitions and the value it expects to add to the acquired businesses and may delay such benefits and additions of value. All of these risks may affect the financial position and performance of the Bank, and the price of its securities, including PERLS V.

### 3.2.14 Competition, especially in Australia and New Zealand

There is substantial competition for the provision of financial services in the markets in which the Bank operates. The Bank must compete with both traditional banking groups and non-bank financial institutions. These market participants compete vigorously for customer investments and deposits, and the provision of lending and wealth management services. These competitive market conditions may adversely impact on the earnings and assets of the Bank.

**The above summary is not exhaustive and prospective investors should read this Prospectus in its entirety and consult their financial adviser or other professional adviser before deciding whether to apply for PERLS V. The Bank does not give any assurances or guarantees of future profitability, payment of distributions, returns of capital or performance of the Bank or PERLS V.**

# Section 4

## Information about the Bank

This Section sets out:

- a description of the Bank's business including summary financial information;
- the Bank's capital management strategy and capital ratios;
- pro-forma financial information demonstrating the effect of the issue of PERLS V on the Bank; and
- information on the credit ratings relevant to this Offer.

## Section 4

# Information about the Bank

### 4.1 Overview

The Bank Group is one of Australia's leading providers of integrated financial services including retail, business and institutional banking, funds management, superannuation, insurance, investment and broking services. The Bank Group is listed on the ASX and, as at 20 August 2009, had a market capitalisation of \$68.3 billion.

The Bank Group's principal areas of activities are:

- **Retail Banking Services**

Retail Banking Services includes both the manufacturing of home loan, consumer finance and retail deposit products and the sales and servicing of all retail bank customers. In addition business and wealth management products are distributed through the retail distribution network.

As at 30 June 2009 the Bank had leading market share in Australia in home loans and retail deposits.

- **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.

As at 30 June 2009 the Bank had the leading market share in Australia in the online non advisory stock broking market.

- **Institutional Banking and Markets**

Institutional Banking and Markets offers a range of services to the Bank's clients to grow and manage their business, creating customised solutions based on specific needs,

industry trends and market conditions. The Total Capital Solutions offering includes debt and capital markets, risk management and transactional banking to corporate and institutional clients. This segment also has wholesale banking operations in London, New York, Singapore, Hong Kong and Malta.

- **Wealth Management**

Wealth Management includes the Global Asset Management, Platform Administration and Life and General Insurance businesses of the Australian operations. As at 30 June 2009, the Bank owns one of Australia's leading retail fund managers and Australia's largest manager in terms of total value of funds under management. The Bank also owns one of Australia's leading life insurers.

- **International Financial Services**

International Financial Services includes the Banking, Funds Management and Insurance businesses operating in New Zealand, Fiji, Indonesia, China, Japan, India and Vietnam excluding the international business of Institutional Banking and Markets in New Zealand.

- **Bankwest**

Bankwest is active in a number of domestic market segments, with lending diversified between the business, rural, housing and personal markets, as well as a range of deposit products.



## Section 4

# Information about the Bank

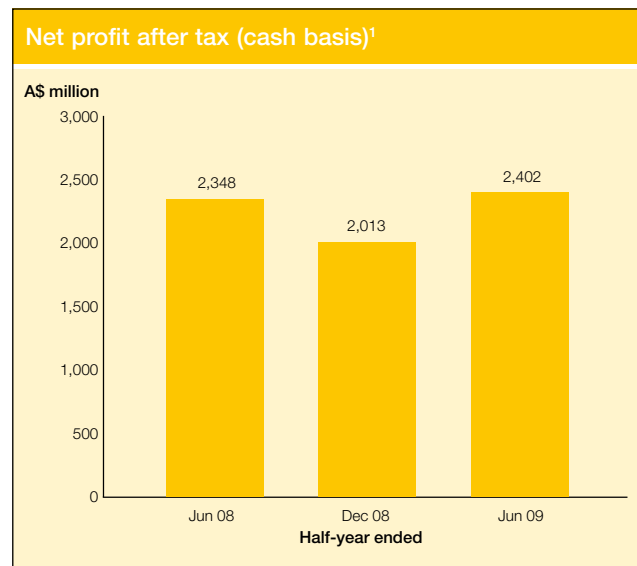
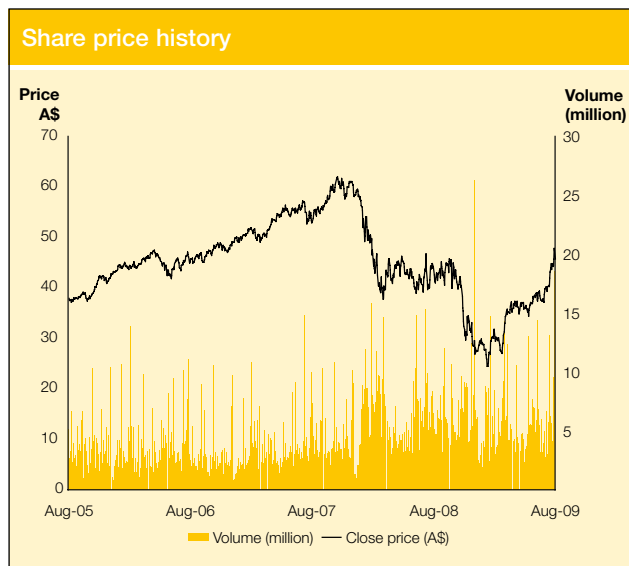
## 4.2 Financial Performance

The Bank Group's net profit after tax ("statutory basis") for the full year ended 30 June 2009 was \$4,723 million, a decrease of 1% on the prior year. Included in the statutory result are a number of significant non-cash items including hedging and AIFRS volatility losses of \$245 million after tax, a gain recognised on the acquisition of Bankwest of \$612 million after tax and other non-cash items which includes losses of \$59 million after tax.

The final dividend declared was \$1.15 per share, a reduction of 25% on the prior year, in response to continued uncertainty in the global and domestic economies. The total dividend for the year to 30 June 2009 was \$2.28 per share, taking the dividend payout ratio on a statutory basis to 73.1%.

In a challenging market environment and slowing economic conditions, the Bank Group's operating performance has been solid. Drivers of the Bank Group's financial performance were:

- Net interest income growth, reflecting solid lending and deposit growth and an improvement in net interest margins;
- Other banking income growth as a result of strong trading income, early repayment fees received from customers exiting fixed rate loans, and higher commissions and lending fees;
- Funds management income decline, due to the adverse impact of the investment market downturn on funds under administration and timing of asset sales;
- Insurance income growth, following an increase in average inforce premiums; and
- Operating expense growth on a cash basis excluding Bankwest of 4% on the prior year (from \$7,021 million



Source: The Bank Full Year Profit Announcements (12 August 2009 and 13 August 2008)

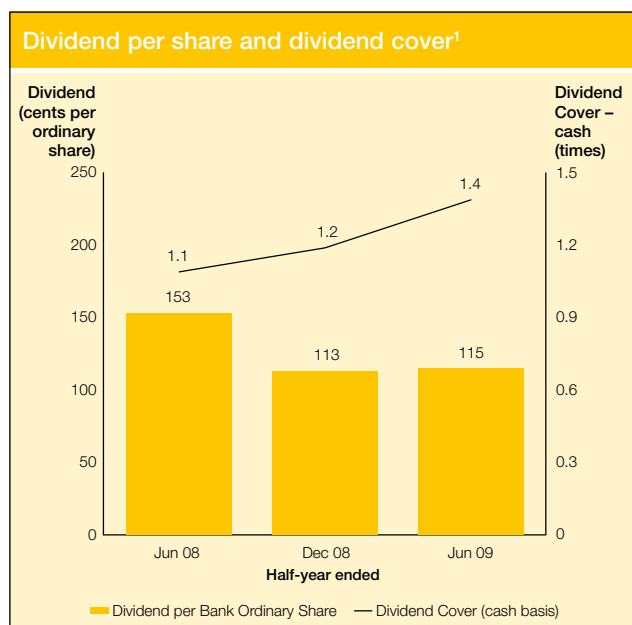
Note:

<sup>1</sup> Profit after tax "cash basis" is derived from profit after tax "statutory basis" after making the following adjustments:

Half-year Profit reconciliation A\$ million	Half-year ended			Full-year ended	
	30/06/2008	31/12/2008	30/06/2009	30/06/2008	30/06/2009
<b>Net profit after tax "statutory basis"</b>	<b>2,420</b>	<b>2,573</b>	<b>2,150</b>	<b>4,791</b>	<b>4,723</b>
Hedging and AIFRS volatility	45	8	237	42	245
Gain on acquisition of controlled entities	-	(547)	(65)	-	(612)
Merger related amortisation	-	-	(80)	-	(80)
Bankwest integration expenses	-	-	78	-	78
Defined benefit superannuation expense	(13)	13	(3)	(9)	10
Treasury shares valuation adjustments	(73)	(34)	62	(60)	28
One-off expenses	-	-	23	-	23
Gain on Visa Initial Public Offering	(295)	-	-	(295)	-
Investment and restructuring	264	-	-	264	-
<b>Net profit after tax "cash basis"</b>	<b>2,348</b>	<b>2,013</b>	<b>2,402</b>	<b>4,733</b>	<b>4,415</b>

## Section 4

# Information about the Bank



Source: The Bank Full Year Profit Announcements (12 August 2009 and 13 August 2008)

**Notes:**

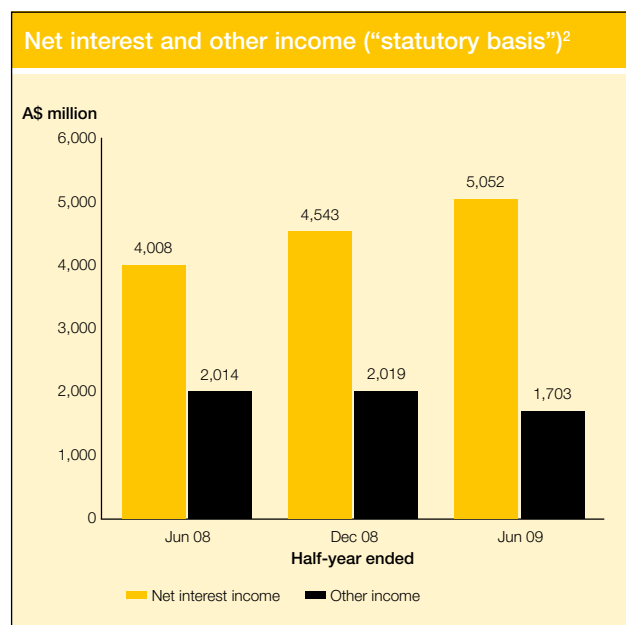
1 Represents dividend payout ratio based on a cash basis net profit after tax (see note 1 on page 47) and dividends of \$1,747 million, \$1,662 million and \$2,029 million for the half years ending 30 June 2009, 31 December 2008 and 30 June 2008 respectively.

2 The June 2009 half year excludes Bankwest net interest income of \$706 million (30 June 2008 and 31 December 2008 half year \$nil).

to \$7,282 million), reflecting the Bank Group's continued disciplined approach to expense management. On a statutory basis, adjustments to cash basis expenses included Bankwest statutory operating expenses of \$597 million and other non-cash items of \$67 million (\$377 million expense for the year ended 30 June 2008) resulting in growth of 7%.

Offsetting this solid operating performance was a significant increase in impairment expense on the prior year to \$3,048 million on a statutory basis. This outcome reflects higher retail and corporate provisioning, increased management overlay and additional provisions taken to cover a small number of single name corporate exposures in the first half. The increase in impairment reflects both the cyclical deterioration in portfolio quality and the Bank's conservative approach to provisioning.

Further detail is provided in the consolidated financial report of the Bank and its controlled entities for the year ended 30 June 2009 (Financial Report), which was lodged (with accompanying letters) with ASIC and ASX on 28 August 2009. The Financial Report comprising pages 1 – 135 of the document headed "Financial Report" lodged with ASIC and ASX on 28 August 2009 is incorporated by reference in this Prospectus.



Source: The Bank Full Year Profit Announcements (12 August 2009 and 13 August 2008)

A copy of the Financial Report can be obtained free of charge during the Offer Period by calling the **PERLS V Information Line on 1800 022 440** (Monday to Friday 8.30am – 7.30pm, Sydney Time).

### 4.3 Capital Management Strategy

The Bank Group actively manages its capital to balance the requirements of various stakeholders (regulators, rating agencies, depositors and shareholders). This is achieved by optimising the mix of capital while maintaining adequate capital ratios throughout the financial year.

The issue of PERLS V will increase the Bank Group's Tier 1 Capital ratio providing the Bank with increased flexibility and a greater capital buffer above the Bank Group's regulatory capital requirements.

If the Bank issues more or less PERLS V, the Bank Group will not be significantly affected as PERLS V are only one avenue for raising capital as part of its active capital management strategy.

The Bank will continue to investigate a range of capital management initiatives as part of its strategy to maximise value for shareholders.

## Section 4

# Information about the Bank

### 4.4 Capital Ratios

The Bank Group maintains a strong capital position. As at 30 June 2009, the Bank Group's Tier 1 Capital Ratio was 8.07% and Total Capital Ratio was 10.42%.

The Bank Group's capital ratios throughout the 2009 financial year were in compliance with both APRA minimum capital adequacy requirements and the Board approved target ranges. The Bank Group's Tier 1 target range was amended by the Board in February 2009 to above 7.0% (previously 6.5% to 7.0%).

Risk Weighted Assets were \$289 billion at 30 June 2009, and include \$43 billion associated with Bankwest. Excluding Bankwest, this represents a \$40 billion or 19% increase from the 30 June 2008 level of \$206 billion.

Risk-Weighted Capital Ratios (%)	Pro-forma		
	30/06/09 <sup>1</sup>	30/06/09	30/06/08
Tier 1 Capital Ratio	8.37	8.07	8.17
Tier 2	2.35	2.35	3.41
Total Capital Ratio	10.72	10.42	11.58

Note:

<sup>1</sup> Pro-forma Capital Ratios as at 30 June 2009 assume the issue of \$900 million of PERLS V. An amount of more or less than \$900 million of PERLS V may be raised net of \$23 million of issue expenses.

### 4.5 Acquisition of Bankwest

The Bank acquired 100% of the share capital of Bank of Western Australia Ltd ("Bankwest") on 19 December 2008, providing the opportunity to expand the Bank's business in the Western Australian and East Coast markets. Since acquisition, Bankwest has continued to expand its customer base, and contributed \$113 million to cash net profit after tax.

The integration of Bankwest into the Bank is progressing. The initial phase is focused on aligning the operations of Bankwest and the Bank across the country, and consolidating systems and processes for efficiency. During the half-year to 30 June 2009, several key integration milestones have been achieved, including:

- Reciprocal ATM access, with customers of both the Commonwealth Bank and Bankwest having access to more than 4,000 ATMs, the largest network of any bank in Australia, without paying any additional fees;
- Established an integration/synergy program including a cross business steering group;
- Commenced restructuring activities;
- Initiated a review of major contracts and licences to identify savings through additional buying power, notably for large IT licensing arrangements;
- Established initial technology links; and
- Delivered a directional target operating model for Bankwest.

Total integration expenditure for the initial phase is anticipated to be \$313 million. Anticipated synergies have increased from an annualised run rate (by 2012) of \$220 million to \$250 million.

## Section 4

# Information about the Bank

### 4.6 Pro-forma Financial Information

	Note	Actual 30/06/09 (\$m)	Pro-forma <sup>1</sup> (\$m)	Note	Actual 30/06/09 (\$m)	Pro-forma <sup>1</sup> (\$m)
<b>Assets</b>				<b>Liabilities</b>		
Cash and liquid assets	2	11,340	10,977	Deposits and other public borrowings	368,721	368,721
Receivables due from other financial institutions		14,421	14,421	Payables due to other financial institutions	15,109	15,109
Assets at fair value through Income Statement:				Liabilities at fair value through Income Statement	16,596	16,596
Trading		25,401	25,401	Derivative liabilities	32,134	32,134
Insurance		17,260	17,260	Bank acceptances	14,728	14,728
Other		1,677	1,677	Current tax liabilities	883	883
Derivative assets		26,358	26,358	Deferred tax liabilities	168	168
Available-for-sale investments		21,504	21,504	Other provisions	1,243	1,243
Loans, advances and other receivables		466,631	466,631	Insurance policy liabilities	16,056	16,056
Bank acceptances of customers		14,728	14,728	Debt issues	101,819	101,819
Property, plant and equipment		2,472	2,472	Managed funds units on issue	914	914
Investment in associates		1,047	1,047	Bills payable and other liabilities	8,520	8,520
Intangible assets		9,245	9,245		<b>576,891</b>	<b>576,891</b>
Deferred tax assets		1,653	1,653	Loan capital	3	12,039
Other assets		6,070	6,070			
		<b>619,807</b>	<b>619,444</b>	<b>Total liabilities</b>	<b>588,930</b>	<b>589,807</b>
Assets held for sale		565	565			
<b>Total assets</b>		<b>620,372</b>	<b>620,009</b>	<b>Net assets</b>	<b>31,442</b>	<b>30,202</b>
				<b>Shareholders' Equity</b>		
				Share capital:		
				Ordinary share capital	4	21,642
				Other equity instruments		939
				Reserves		516
				Retained profits	5	7,825
						6,078
				<b>Shareholders' equity attributable to Equity holders of the Bank</b>		
					<b>30,922</b>	<b>29,682</b>
				Minority interests:		
				Controlled entities		520
				<b>Total Shareholders' equity</b>	<b>31,442</b>	<b>30,202</b>

#### Notes:

1 The pro-forma as at 30 June 2009 includes the impact of the final dividend declared of \$1,747 million to be paid on 1 October 2009, as adjusted for estimated Ordinary Shares to be issued under the Bank's Dividend Reinvestment Plan of \$507 million, and assumes the issue of \$900 million of PERLS V net of \$23 million of issue expenses. An amount of more or less than \$900 million of PERLS V may be raised.

2 Decrease in cash and liquid assets relates to the \$1,747 million cash disbursement for the final dividend net of the estimated funds to be received through the dividend reinvestment plan of \$507 million and assumes the issue of \$900 million of PERLS V net of \$23 million of issue expenses.

3 Assumes the issue of \$900 million of PERLS V net of \$23 million of issue expenses.

4 Increase in ordinary share capital relates to the estimated issue of Bank Ordinary Shares of \$507 million under the Bank's Dividend Reinvestment Plan for the final dividend.

5 The decrease in retained profits relates to \$1,747 million dividend to be paid on 1 October 2009.

## Section 4

# Information about the Bank

### 4.7 Credit Ratings

The Bank has been rated by Standard & Poor's and Moody's and PERLS V has been given a prospective issue credit rating by Standard & Poor's. At the time of lodgement of this Prospectus, the ratings are as follows:

**Standard & Poor's credit rating:**

Commonwealth Bank  
– Long-term senior debt rating<sup>1</sup>      AA (stable outlook)

PERLS V  
– Issue credit rating                      A+

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**Moody's credit rating:**

Commonwealth Bank  
– Long-term senior debt rating<sup>2</sup>      Aa1 (negative outlook)

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Notes:

1 Standard & Poor's long-term senior debt rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations.

2 Moody's long-term senior debt rating is an opinion of the ability of an issuer to honour senior unsecured financial obligations.

An issue credit rating is a current opinion of the creditworthiness of an obligor with respect to specific financial obligations, a specific class of financial obligations or a specific financial program. The PERLS V issue credit rating set out above is the prospective issue credit rating that Standard & Poor's have indicated will be assigned to PERLS V on issue, subject to no material changes occurring to the transaction structure or documentation.

According to Standard & Poor's:

- a long-term senior debt rating of "AA" describes an obligor that has a very strong capacity to meet its financial commitments. It differs from the highest rated obligors in only a small degree. The outlook applied to the Bank's long-term senior debt rating is "Outlook Stable" which indicates that the rating is not likely to change; and
- an issue credit rating of "A+" describes an issue that is somewhat more susceptible to the adverse effect of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

According to Moody's, obligations rated "Aa1" are judged to be of high quality and are subject to very low credit risk. Within the Moody's generic "Aa" rating classification, "Aa1" indicates that the obligation ranks in the higher end of its generic "Aa" rating category.

On 2 March 2009, Moody's revised the outlook for the bank financial strength rating and the Bank's senior debt rating from stable to negative. Moody's stated that the negative outlook reflected the potential for the deepening global economic downturn to have a protracted impact on the banks' asset quality and earnings. Moody's also noted that there were a number of factors that were likely to support the ratings of the major banks in Australia at relatively high levels.

Credit ratings are subject to revision or withdrawal at any time. As at the date of this Prospectus, an issue credit rating has only been sought from Standard & Poor's. Refer to Section 3.1.14 "Credit ratings may change".

## Section 4

# Information about the Bank

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# Section 5

## Taxation Information

If you are considering applying for PERLS V, it is important that you understand the taxation consequences of investing in PERLS V.

You should read the information set out in this Section before deciding whether to invest and discuss the taxation consequences with your tax adviser.

## Section 5

# Taxation Information

# Greenwoods & Freehills

The Directors  
Commonwealth Bank of Australia  
Level 7  
48 Martin Place  
SYDNEY NSW 2000

28 August 2009

Dear Sirs

**Commonwealth Bank of Australia**  
**Perpetual Exchangeable Resaleable Listed Securities ("PERLS V")**  
**Australian taxation consequences for Holders**

We have been instructed to prepare a tax summary for inclusion in the Prospectus for the issue of PERLS V, each of which will be comprised of one Preference Share issued by the Commonwealth Bank of Australia (**Bank**) stapled to one Note issued by the Bank through its New Zealand branch.

This letter provides a summary of the key Australian income tax, capital gains tax (**CGT**) and goods and services tax (**GST**) implications arising from the acquisition, holding and disposal of PERLS V by Australian resident individuals, companies and complying superannuation entities ( **Holders**) who apply for PERLS V under the Prospectus and hold their investment in PERLS V on capital account for Australian income tax purposes.

For the avoidance of doubt, this tax summary does not deal with the position of Initial Holders or other Holders who are non-residents of Australia or who acquire PERLS V in their business of share trading, dealing in securities or otherwise hold their PERLS V on revenue account or as trading stock.

This summary is based on Australian tax laws and the administrative practice of the Australian Taxation Office (**ATO**) applicable as at the date of this letter. The information contained in this summary is necessarily general in nature and is not intended to be definitive advice to Holders. Accordingly, each Holder should seek their own tax advice that is specific to their particular circumstances. The Bank has applied for a Class Ruling requesting confirmation of the ATO's views in relation to the key taxation issues that are outlined below.

Unless otherwise stated, all legislative references in this letter are to the *Income Tax Assessment Act 1936* and *Income Tax Assessment Act 1997* (**Act**). Capitalised terms not elsewhere defined in this letter bear the same meaning as those contained in the Prospectus.

Greenwoods & Freehills Pty Limited has given its consent to the inclusion of this letter in the Prospectus.

### **1 Tax treatment of Interest and Dividends**

#### **1.1 Interest paid on Notes**

Prior to the occurrence of an Assignment Event, Holders will only receive Interest Payments on the Notes.

Greenwoods & Freehills Pty Limited ABN 60 003 146 852

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## Section 5

# Taxation Information

The Notes should be regarded as non-share equity interests that are issued by an Australian company (the Bank) for Australian income tax purposes. Consequently, Interest Payments on the Notes should be treated as non-share dividends that are frankable.

It is expected that Interest Payments on the Notes will be fully franked.

Generally, provided that a Holder is a “qualified person” (see paragraph 1.2 below) and the Commissioner does not make a determination under the dividend streaming rules to deny the benefits of the franking credits to the Holder (see paragraph 1.3 below), the Holder:

- should include the amount of any Interest Payments on the Notes in their assessable income as well as an amount equal to any franking credits attached to such Interest Payments; and
- may qualify for the tax offset (equivalent to the franking credits attached to the Interest Payments) which can be applied against their income tax liability for the relevant income year.

Holders who are individuals or complying superannuation entities may be entitled to a refund of franking credits to the extent that their tax offsets in respect of those franking credits are greater than the income tax payable by the Holder on their taxable income in an income year. A Holder which is a company entitled to a tax offset is not eligible for a refund of excess franking credits, but may credit its franking account for the franking credits attached to the Interest Payments.

As Interest Payments on the Notes will be derived from foreign sources, they should be regarded as foreign income for Australian tax purposes. Depending on a Holder's particular circumstances, they may be entitled to an amount of foreign income tax offset in respect of any foreign income tax paid on the Interest Payments included in their assessable income. The Bank will provide distribution statements to the Holders setting out the details of each Interest Payment.

### **1.2 Qualified person**

Certain imputation measures contained in Division 1A of former Part IIIAA of the Act provide that a Holder is not required to include an amount equal to the franking credits allocated to a frankable distribution in assessable income and is not entitled to tax offsets in respect of franking credits unless the Holder is a “qualified person” in relation to the frankable distribution.

A Holder should be a “qualified person” if the following rules are satisfied:

#### **(a) the holding period rule**

To satisfy the holding period rule, a Holder must have held the Notes “at risk” for a continuous period of at least 90 days (excluding the day of disposal) within a period beginning on the day after the day on which the Notes are acquired and ending on the 90th day after the Notes become ex-distribution.

To be held “at risk”, a Holder must retain 30% or more of the risks and benefits associated with holding the Notes (calculated using the financial concept of delta). Where a Holder undertakes risk management strategies in relation to the Notes (e.g. by the use of limited recourse loans, options or other derivatives), the Holder's ability to satisfy the “at risk” requirement of the holding period rule may be affected.

#### **(b) the related payments rule**

Under the related payments rule, a Holder who is obliged to make a “related payment” (essentially a payment passing on the benefit of the Interest Payment) in respect of Interest on the Notes must hold the Notes “at risk” for at least 90 days (not including the days of acquisition and disposal) within each period beginning 90 days before, and ending 90 days after, the Notes become ex-distribution for each Interest Payment.

A Holder who is an individual is automatically taken to be a qualified person for these purposes if the total amount of the tax offsets in respect of all franked distributions to which the Holder is entitled in an income year does not exceed \$5,000. This is referred to as the “small shareholder rule”. However, a Holder will not be a “qualified person” by virtue of the small shareholder rule if related payments have been made, or will be made, in respect of the Interest Payment.

## Section 5

# Taxation Information

### **1.3 Denial of imputation benefits by the Commissioner of Taxation (Commissioner)**

The Bank has applied for a Class Ruling from the ATO that specific dividend streaming rules should not apply to Interest paid on the Notes.

The Bank understands that the ATO may form a view that the benefits of the franking credits in relation to Interest on the Notes should be denied to Holders.

The Bank and its tax advisers disagree with the ATO's view and intend to have the ATO's view tested in the courts. In this regard, the Bank and the ATO have agreed to certain arrangements that are intended to ensure the efficient settlement of litigation and management of the tax laws. These arrangements also effectively ensure that Holders would not be impacted by this process and therefore not be denied the benefits of franking credits attached to Interest paid on the Notes, unless they choose to be excluded from the arrangements between the Bank and ATO. Holders who choose to be excluded from the arrangements between the Bank and ATO may be denied the benefits of the franking credits attached to Interest paid on the Notes. Further details of these arrangements are contained in Section 7.2 – ATO Agreement of the Prospectus.

It should be noted that the ATO's view does not extend to Dividends on Preference Shares or Bank Ordinary Shares paid by the Bank.

### **1.4 Dividends paid on Bank Ordinary Shares or Preference Shares following an Assignment Event**

If an Assignment Event occurs because of a Conversion of the Preference Shares, Holders will hold Bank Ordinary Shares and Holders will be entitled to receive dividends declared on Bank Ordinary Shares. Similarly, if an Assignment Event occurs which does not result in a Conversion of the Preference Shares, Holders will continue to hold the Preference Shares, which are then expected to pay Dividends.

Dividends on the Bank Ordinary Shares and on the Preference Shares should be frankable distributions. It is expected that the Bank will fully frank dividends paid on the Bank Ordinary Shares and on the Preference Shares.

Provided that they are a "qualified person":

- Holders should include the amount of any dividends on the Bank Ordinary Shares or on the Preference Shares in their assessable income as well as an amount equal to any franking credits attached to such dividends; and
- Holders may qualify for the tax offset (equivalent to the franking credits attached to the dividends) against their income tax liability for the relevant income year.

Holders who are individuals or complying superannuation entities may be entitled to a refund of franking credits to the extent that their tax offsets in respect of those franking credits are greater than the income tax payable by the Holder on their taxable income in an income year. A Holder which is a company entitled to a tax offset and the franking credits attached to the dividends will credit its own franking account in respect of those franking credits. However, Holders which are companies are not eligible for a refund of excess franking credits.

The comments in relation to Interest Payments on the Notes at paragraphs 1.2 and 7 of this letter should apply equally to Dividends on the Bank Ordinary Shares and on the Preference Shares.

## **2 Characterisation of PERLS V**

Based on the current views of the ATO evidenced in Taxation Determination TD 2009/14, Class Rulings CR 2008/30, CR 2008/56 and CR 2009/19, the Bank expects the ATO to rule that each PERLS V is a single instrument (comprised of a Note and a Preference Share), and no part of PERLS V is a traditional security for tax purposes.

One of the consequences of this conclusion is that there is no disposal of the Notes upon a sale of PERLS V (on ASX or a Resale) or an Assignment Event happening to PERLS V for the purposes of these tax provisions. Therefore, Holders would not be entitled to a deductible loss in respect of the Notes.

## Section 5

# Taxation Information

The income tax consequences arising to each Holder from a sale of PERLS V (on ASX or Resale) or upon an Assignment Event happening to PERLS V have been outlined below on the basis of the expected ATO position that each PERLS V is a single asset.

### 3 Sale of PERLS V on ASX or Resale

For CGT purposes, a sale of PERLS V constitutes a CGT event.

To the extent that the sale proceeds received by a Holder on the sale of PERLS V exceed the cost base, the excess would constitute a capital gain in the hands of the Holder.

Conversely, a capital loss would arise on a sale of PERLS V equal to the amount by which the sale proceeds are less than the reduced cost base.

The cost base or reduced cost base of PERLS V respectively should include the amount paid to acquire PERLS V (when issued by the Bank) as well as any incidental costs (e.g. broker fees) associated with the acquisition and disposal of PERLS V.

If PERLS V have been owned for at least 12 months prior to the sale (excluding the days of acquisition and disposal), a Holder may be entitled to receive CGT discount treatment in respect of any gain arising on disposal of PERLS V, such that a percentage of the gain is not included in assessable income. The discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The discount percentages are 50%, 50% and 33 $\frac{1}{3}$ % for Holders who are individuals, trusts and complying superannuation entities respectively. Holders that are companies are not entitled to the CGT discount treatment.

Holdings who dispose of PERLS V within 12 months of acquiring them, or who dispose of PERLS V under an agreement entered into within 12 months of acquiring them, will not receive CGT discount treatment.

### 4 Assignment Event that is not a Conversion

If an Assignment Event (other than a Conversion of the Preference Shares) occurs:

- each Note component of the PERLS V will be assigned to the Bank if the Bank accepts each Holder's irrevocable offer to assign and each Note will be destapled from the Preference Share component of the PERLS V; and
- either:
  - in the case of an Assignment Event that is a Repurchase – the Preference Shares will be Repurchased for their Face Value; or
  - in the case of any other Assignment Event – the Holder will continue to hold Preference Shares which will pay Dividends in accordance with the Preference Share Terms of Issue.

If the Assignment Event is a Repurchase of the Preference Shares then the tax consequences for Holders will depend on the manner in which the Repurchase occurs, whether any part of the amount paid on Repurchase is treated as a dividend for taxation purposes and the Holders' personal circumstances. Holders should obtain further tax advice at that time in relation to the taxation consequences of such an Assignment Event.

### 5 Assignment Event that is a Conversion

If a Holder holds PERLS V on a Conversion date, the following will take place on the Conversion date:

- each Note component of the PERLS V will be assigned to the Bank as a result of the Bank accepting each Holder's irrevocable offer to assign and each Note will be destapled from the Preference Share component of the PERLS V;
- immediately after the Notes are assigned to the Bank, each Preference Share will be Converted into a number of Bank Ordinary Shares in accordance with clause 8 of the Preference Share Terms of Issue.

## Section 5

# Taxation Information

Generally for CGT purposes, the exchange of a capital asset for a replacement asset could give rise to the recognition of a capital gain or capital loss. However, special rules apply to defer the realisation of any capital gain or loss that would otherwise be crystallised upon the conversion of a convertible interest. The expression “convertible interest” is defined by the Act as including certain securities which will or may be converted into other equity interests in the issuing company, or a connected entity of that company.

It is considered that each PERLS V should be characterised as a convertible interest for CGT purposes, because it is an interest that may be “converted” into Bank Ordinary Shares, in accordance with clause 8 of the Preference Share Terms of Issue.

Therefore, a Conversion of the Preference Shares into Bank Ordinary Shares should not give rise to a capital gain or capital loss for a Holder nor an amount being included in Holders’ assessable income (including as a dividend).

The cost base and reduced cost base of the Bank Ordinary Shares following Conversion should be determined by reference to the cost base and reduced cost base of each PERLS V that is Converted.

The Bank Ordinary Shares should be taken to be acquired on the Conversion date for CGT purposes. This means that if the Bank Ordinary Shares are sold within 12 months after a Conversion Date eligible Holders will not be entitled to the CGT discount referred to in paragraph 3 above.

### 6 NOHC Event

If a NOHC Event occurs, amongst other things, PERLS V may be Converted into NOHC Ordinary Shares. The tax consequences of such a Conversion should be similar to those outlined above at paragraph 5 in relation to a Conversion. However, if the Conversion into NOHC Ordinary Shares involves a Repurchase of Preference Shares, the tax consequences for Holders in respect of such a Repurchase will depend on whether any amount is treated as a dividend for taxation purposes.

### 7 Pay-as-you-go withholding tax

Holders may, if they choose, notify the Bank of their tax file number (“TFN”), Australian Business Number (“ABN”) or a relevant exemption.

In the event that the Bank is not so notified, the Bank may be required to deduct tax at the highest personal marginal tax rate plus Medicare levy from the gross Interest Payments on the Notes to the extent that such Interest Payments are not franked. The current rate of withholding is 46.5%.

Holders will be able to claim a tax credit in respect of any tax withheld on the Interest Payments in their income tax returns.

### 8 GST

Holders should not be liable for GST in respect of their investment in the PERLS V or the realisation or conversion of the PERLS V.

Holders registered for GST are unlikely to be entitled to an input tax credit for any GST paid in respect of costs associated with the acquisition of PERLS V (e.g. adviser fees).

### 9 Taxation of Financial Arrangements

The Australian Government has enacted the *Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009* (“TOFA Act”). The TOFA Act contains a new regime for the taxation of financial arrangements. One of the stated objectives of the TOFA Act is to achieve a closer alignment of the tax and commercial recognition of gains and losses from financial arrangements.

Subject to certain exceptions, the TOFA Act provides that it will apply on a mandatory basis to defined “financial arrangements” entered into during a taxpayer’s first year of income commencing on or after 1 July 2010 (unless the taxpayer elects to apply TOFA to income years commencing on or after 1 July 2009), where the taxpayer exceeds certain relevant asset/turnover thresholds. Taxpayers below the relevant asset/turnover thresholds may elect to join the TOFA regime.

The new regime will only apply to financial arrangements that the taxpayer starts to have on or after the relevant commencement date, although the taxpayer can elect to bring their pre-existing financial arrangements into the TOFA regime.

## Section 5

# Taxation Information

The TOFA Act in general should not apply to individual Holders in respect of their investment in PERLS V. In addition, the TOFA Act should have limited application to other Holders in respect of their investment in PERLS V unless certain elections under the TOFA Act are made by the Holders. However, it is recommended that Holders obtain specific tax advice regarding the application of the TOFA Act to their investment in PERLS V, pertaining to their particular circumstances.

The TOFA Act is likely to be subject to further amending legislation to refine the new regime. In addition, the ATO is likely to issue interpretative guidance regarding some aspects of the new rules. Therefore, Holders should also monitor the progress of these potential developments to determine whether they have any implications for their investment in PERLS V.

### 10 Disclaimer

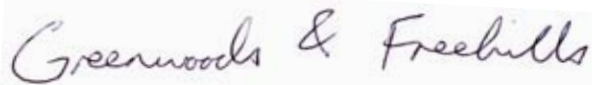
This tax summary does not purport to give advice to any specific Investor as each Investor's tax position will depend on their own particular circumstances. Therefore, Investors should seek their own professional tax advice regarding their individual circumstances.

The representatives of Greenwoods & Freehills Pty Limited involved in preparing this tax summary are not licensed to provide financial product advice in relation to dealing in securities. Accordingly, Greenwoods & Freehills Pty Limited does not seek to recommend, promote or otherwise encourage any party to participate in the issue of PERLS V. Potential Investors should consider seeking advice from a suitably qualified Australian Financial Services licence holder before making any investment decision. Potential Investors should also note that taxation is only one of the matters that may need to be considered.

Yours faithfully

GREENWOODS & FREEHILLS PTY LIMITED

per:

A handwritten signature in black ink that reads "Greenwoods & Freehills". The signature is written in a cursive, flowing style and is positioned above a light grey rectangular background.

## Section 5

# Taxation Information

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# Section 6

## Summary of Important Documents

This Section summarises important documents that may not have been addressed elsewhere in detail in this Prospectus. It does not summarise the Preference Share Terms or the Note Terms which are set out in full in Appendix A and Appendix B (respectively).

## Section 6

# Summary of Important Documents

This Section summarises the Constitution of the Bank and other important documents relating to the issue of PERLS V. It does not summarise the Preference Share Terms or the Note Terms, which are set out in full in Appendix A and Appendix B (respectively). The Constitution of the Bank also sets out the rights attaching to Bank Ordinary Shares, into which PERLS V may Convert.

The Bank will provide a copy of any of the documents summarised below free of charge to any person who requests a copy during the Offer Period. If you would like to obtain a copy of any of the documents, refer to Section 7.1 “Availability of documents”.

## 6.1 Overview of terms and conditions of PERLS V and Bank Ordinary Shares

Rights attaching to PERLS V are contained in:

- (a) the Constitution;
- (b) the Preference Share Terms;
- (c) the Note Terms; and
- (d) the Note Deed Poll.

The Preference Share Terms and the Note Terms are set out in full in Appendix A and Appendix B (respectively). Rights attaching to Preference Shares arising from the Constitution of the Bank are described in previous Sections of this Prospectus. The Notes are issued pursuant to the Note Deed Poll executed by the Bank in favour of Holders from time to time. Each Holder is taken to be bound by the terms of the Note Deed Poll. The Note Deed Poll contains provisions which are broadly consistent with the Note Terms, as well as mechanical provisions.

Rights attaching to PERLS V may also arise under the Corporations Act and other laws and the ASX Listing Rules. These are not covered in this summary, except where expressly indicated.

The Constitution of the Bank also contains the rights attaching to Bank Ordinary Shares, into which PERLS V may Convert. See Section 6.2 “Constitution: Rights attaching to Bank Ordinary Shares” for a summary of certain important rights attaching to Bank Ordinary Shares.

## 6.2 Constitution: Rights attaching to Bank Ordinary Shares

Bank Ordinary Shares may be issued to Holders on Exchange by way of Conversion of PERLS V. Any Bank Ordinary Shares issued to Holders on Conversion of PERLS V will be fully paid and will rank equally with Bank Ordinary Shares already on issue in all respects.

### 6.2.1 Transfers

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

Unless otherwise required by law or the Constitution of the Bank, the Bank is entitled to treat the registered holder as the absolute owner of a share. Bank Ordinary Shares held by a trustee may, with the directors’ consent, be identified as being subject to the relevant trust.

The Bank is not bound to register more than three persons as joint holders of a Bank Ordinary Share. The Bank does not issue share certificates unless required by law or the ASX Listing Rules.

Restrictions apply in respect of persons who become entitled to Bank 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 the Bank will recognise as having title to the member’s interest in the shares.

### 6.2.2 Dividends

Bank Ordinary Shareholders have a right to dividends if the directors determine that a dividend is payable. Dividends are only payable out of profits of the Bank and may be subject to the rights of holders of shares carrying preferred rights.

### 6.2.3 Winding-up

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

### 6.2.4 Meetings

Holders of Bank Ordinary Shares are entitled to receive notice of, attend and, subject to the Bank’s Constitution, to vote in person, by representative, attorney or proxy at



## Section 6

# Summary of Important Documents

general meetings of the Bank. 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 Bank Ordinary Share held.

### 6.2.5 Issue of further shares

The directors of the Bank control the issue of shares. The directors may issue further shares, and grant rights or options over shares, on such terms as they think fit.

## 6.3 Offer Management and Subscription Agreement

### 6.3.1 Overview

The Bank and the Joint Lead Managers entered into the Offer Management and Subscription Agreement (“**OMSA**”) on or about 28 August 2009. Under the OMSA, the Bank has appointed CommSec and Macquarie as Joint Structuring Advisers and ANZ Securities, Citi, CommSec, Credit Suisse, Deutsche Bank, Goldman Sachs JBVere, JPMorgan, Macquarie, Morgan Stanley, National Australia Bank, RBS, UBS and Westpac as Joint Lead Managers and Joint Bookrunners to the Offer. Under the OMSA, the Joint Lead Managers agree to conduct the Bookbuild principally on the basis of this Prospectus for the purpose, among other things, of determining the Allocation of PERLS V to Institutional Investors, and to the Joint Lead Managers and participating brokers for Allocation to their Australian resident retail clients under the Broker Firm Offer.

The Joint Lead Managers (except CommSec) have agreed to provide settlement support for PERLS V Allocated to institutional investors and participating brokers. As part of that settlement support, the Joint Lead Managers (except CommSec) will pay, or procure payment of, the aggregate proceeds raised from Institutional Investors and participating brokers to the Bank.

### 6.3.2 Representations, warranties and undertakings

The OMSA contains various representations and warranties and imposes various obligations on the Bank, including representations, warranties and obligations to ensure that this Prospectus complies with all applicable laws, and to conduct the Offer in accordance with the agreed timetable, and in compliance with ASX Listing Rules, this Prospectus and any applicable law in relevant jurisdictions.

The OMSA imposes an obligation on the Bank not to, and to procure that neither it nor any of its controlled entities, allot, agree to allot, or announce any issue of, indicate in

any way that it will allot, or otherwise authorise the issue of any hybrid or preference securities with Tier 1 Capital status in the domestic market on or before the date of issue of PERLS V to the Initial Holder (“**Completion Date**”) without the prior written consent of the Joint Lead Managers.

### 6.3.3 Indemnity

The Bank has agreed to indemnify the Joint Lead Managers and the Initial Holder and parties affiliated with them against claims, demands, damages, losses, costs, expenses, imposts and liabilities in connection with the Offer, other than where these result primarily from any fraud, recklessness, wilful misconduct or negligence of that party or certain associates of that party, or in respect of claims by the Bank against a Joint Lead Manager for breach of the OMSA.

### 6.3.4 Fees

Under the OMSA, the Bank will pay:

- (a) a lead management and selling fee of 1.50% of the Broker Firm Amount for that Joint Lead Manager, such amount to be split between a lead management and a selling fee in the proportion notified to the Bank by that Joint Lead Manager;
- (b) an arranging fee of \$250,000 provided that the Broker Firm Amount for that Joint Lead Manager is at least \$40 million; and
- (c) an institutional selling fee to the Joint Structuring Advisers of 0.75% of the amount of PERLS V Allocated to Institutional Investors in the Bookbuild, such amount excluding the total Broker Firm Amount allocated to brokers to the Offer and Joint Lead Managers.

Subject to the Bank having paid the fees referred to above, the Joint Structuring Advisers are responsible for paying commission and other fees due to certain Institutional Investors and any other participating brokers.

The Bank must also pay, or reimburse the Joint Lead Managers for, all reasonable costs (except their legal and tax advice fees) of and incidental to any aspect of the Offer or the OMSA.

### 6.3.5 Termination

A Joint Lead Manager may (whether or not with the consent of each other Joint Lead Manager) terminate its obligations under the OMSA by providing notice to the Bank and each other Joint Lead Manager if it becomes aware of the happening of any one or more of the following events:

## Section 6

# Summary of Important Documents

- (a) the credit rating assigned to the Bank or to PERLS V at the date of the OMSA by Standard & Poor's is downgraded or withdrawn or that credit rating is placed on credit watch negative;
- (b) the credit rating assigned to the Bank at the date of this agreement by Moody's is downgraded or withdrawn or that credit rating is placed on credit watch negative, except where the changes apply equally to at least two other major Australian banks;
- (c) except to the extent otherwise disclosed to the Joint Lead Managers prior to the date of this Prospectus, a material contravention by the Bank or any Bank Group entity, of the Corporations Act, its constitution, the material documents summarised in this Section 6 of this Prospectus or any of the Listing Rules;
- (d) any of the documents issued or published by or on behalf of the Bank in respect of the Offer, including this Prospectus, does not comply in all material respects with the Corporations Act, the Listing Rules or any other applicable law or regulation;
- (e) approval is refused or not granted, other than subject to customary conditions, to the official quotation of PERLS V on ASX on or before 8.30am on the Completion Date, or if granted, the approval is subsequently withdrawn, qualified or withheld;
- (f) any of the following notifications are made:
  - (i) ASIC issues an order or interim order under section 739 of the Corporations Act;
  - (ii) an application is made by ASIC for an order under section 1324B or 1325 of the Corporations Act in relation to this Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act in relation to this Prospectus;
  - (iii) any person (other than the Joint Lead Manager) who has previously consented to the inclusion of its name in this Prospectus (or any supplementary Prospectus) or to be named in this Prospectus withdraws that consent;
- (g) the Bank withdraws the Prospectus or the Offer;
- (h) either the All Ordinaries Index of ASX or the S&P ASX 200 (each a "**Relevant Index**"):
  - (i) closes on three consecutive Business Days at a level that is 10% or more below the level of the Relevant Index as at the close of trading on the Business Day before the date of the OMSA ("**Starting Level**");
  - (ii) closes at a level that is 10% or more below the Starting Level for consecutive days, excluding the Completion Date, in the period of three Business Days prior to the Completion Date;
  - (iii) closes at a level that is 15% or more below the Starting Level;
- (i) the occurrence of:
  - (i) a suspension or material limitation (in each case persisting for at least one Business Day) in trading in securities or generally on ASX, the New York Stock Exchange and/or the London Stock Exchange;
  - (ii) a suspension or material limitation (in each case persisting for at least one Business Day) in trading in the Bank's securities on ASX (other than a trading halt in connection with the Offer);
  - (iii) a general moratorium on commercial banking activities in Australia, the United States or the United Kingdom is declared by the relevant authorities, or there is a material disruption in commercial banking or securities settlement or clearance services in those places;
- (j) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions or currency exchange rates or controls in Australia, New Zealand, Singapore, Hong Kong, the United States, the United Kingdom or elsewhere, which, in the judgement of the Joint Lead Managers (acting reasonably), makes it impracticable or inadvisable to proceed with the Offer or the subscription for the PERLS V on the Completion Date on the terms and in the manner contemplated in this Prospectus (or any supplementary Prospectus);
- (k) any adverse change occurs (or becomes known) after lodgement of the Prospectus in the assets, liabilities, financial position or performance, profits, losses or prospects of the Bank or the Bank Group (insofar as the position in relation to a controlled Bank Group entity affects the overall position of the Bank), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Bank and its controlled entities from those respectively disclosed in:

## Section 6

# Summary of Important Documents

- (i) this Prospectus;
  - (ii) any other publicity, media statements, announcements, advertisements, presentations or other materials produced, used or made by or on behalf of the Bank in connection with the Offer;
  - (iii) public announcements and other media statements made by or on behalf of the Bank in relation to the affairs of the Bank or the Bank's controlled entities within six months prior to the date of the OMSA (taken together and having regard to the extent to which later statements may supersede earlier statements);
  - (l) the credit rating assigned to the Issuer at the date of this agreement by Moody's is downgraded or withdrawn or that credit rating is placed on credit watch negative;
  - (m) there occurs a new circumstance that has arisen since this Prospectus was lodged that would have been required to be included in this Prospectus if it had arisen before this Prospectus was lodged in relation to the Bank or any Bank Group entity;
  - (n) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, the United Kingdom, Indonesia, Japan, Russia, the People's Republic of China, Iraq, North or South Korea, or any member state of the European Union or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;
  - (o) a change in senior management or (other than as disclosed in writing prior to the date of this Prospectus) the board of directors of the Bank occurs or a director or senior executive of the Bank is charged with an indictable offence;
  - (p) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any state of Australia or the Parliament of New Zealand, a new law, or the Reserve Bank of Australia, or any Commonwealth or state or New Zealand authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the OMSA), any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets, or certain events related to taxation occur;
  - (q) a default by the Bank in the performance of any of its obligations under the OMSA occurs;
  - (r) a warranty contained in the OMSA on the part of the Bank is not true or correct;
  - (s) the "Completion Certificate" given under the OMSA is not true or correct;
  - (t) a statement contained in this Prospectus (including any supplementary Prospectus) is misleading or deceptive, or a matter is omitted from the Prospectus (having regard to the provisions of Part 6D.2 of the Corporations Act);
  - (u) the due diligence report or any other information supplied by or on behalf of the Bank to a Joint Lead Manager in relation to the Bank Group or the Offer is misleading or deceptive; or
  - (v) any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation.
- If an event referred to in any of paragraphs (l) to (v) occurs, a Joint Lead Manager may not terminate the OMSA unless it has reasonable and bona fide grounds to believe and does believe that the event has or is likely to have a materially adverse effect on the outcome of the Offer, on settlement of the Offer or the performance of the secondary market trading in PERLS V at any time during the 30 day period following quotation of PERLS V, or could give rise to a material liability of that Joint Lead Manager in any capacity under any law, regulation, treaty or administrative action.

### 6.3.6 Subscription and assignment arrangements

Under the OMSA, the Initial Holder agrees to subscribe for, and the Bank agrees to issue to the Initial Holder, Preference Shares and Notes equal to the number of PERLS V for which successful Applications have been lodged. That subscription will take place under this Prospectus. The Notes will be issued to the Initial Holder first and, following the issue of Preference Shares to the Initial Holder, they will be "stapled" in accordance with the Note Terms and the Preference Share Terms. At that time, the Initial Holder will immediately transfer PERLS V to Successful Applicants under this Prospectus.

As part of the subscription and assignment arrangements outlined above, the Initial Holder will agree to make an irrevocable offer to assign the Notes to the Bank in

## Section 6

# Summary of Important Documents

consideration for the issue of Preference Shares, pursuant to which the Bank (or with the approval of APRA, any other entity nominated by the Bank that is deemed to be part of the extended licensed entity by APRA) may elect to have assigned to it all right, title and interest of Holders in all, or a proportion of, the Notes if an Assignment Event occurs.

### 6.4 APRA undertaking

The Bank has undertaken that if an Assignment Event occurs, it will elect to assign the Notes to the Bank or its nominee if APRA requests it to do so.

# Section 7

## Additional Information

You should be aware of a number of other matters that may not have been addressed in detail elsewhere in this Prospectus.

These include the availability of certain relevant documents for inspection, the consents of persons whose names or statements have been included in this Prospectus, the disclosure of interests of the directors of the Bank and the concessions that regulators have granted to the Bank in respect of the Offer.

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# Additional Information

### 7.1 Availability of documents

The Bank is a “disclosing entity” for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

These obligations require that ASX be continuously notified of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX.

In particular, the Bank has an obligation under the ASX Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning the Bank of which it becomes aware which a reasonable person would expect to have a material effect on the price or value of Bank Ordinary Shares or its other listed securities. That information will be on public file at ASX.

The Bank prepares and lodges with ASIC both yearly and half-yearly financial statements accompanied by a director’s statement and report, and an audit or review report. Copies of documents lodged with ASIC in relation to the Bank may be obtained from, or inspected at, any office of ASIC.

The Bank will provide a copy of any of the following documents free of charge to any person who requests a copy prior to the Closing Date. These documents are also available (or may be accessed) from the Bank’s website at [www.commbank.com.au](http://www.commbank.com.au) (in the “Shareholder Centre”) and/or ASX’s website at [www.asx.com.au](http://www.asx.com.au):

- the Bank’s Full Year Results Profit Announcement for the period to 30 June 2009;
- the consolidated financial report of the Bank and its controlled entities for the year ended 30 June 2009;
- the Bank’s half-year financial report for the period to 31 December 2008;
- the Bank’s 2008 Annual Report, which contains the consolidated financial statements of the Bank for the year ended 30 June 2008;
- any other document or financial statements lodged by the Bank with ASX under the continuous disclosure reporting requirements in the period after the lodgement of the annual financial statements for the year ended 30 June 2008 and before the lodgement of this Prospectus with ASIC.

### 7.2 ATO Agreement

The Bank expects that Distributions will be fully franked. If Distributions are fully franked, Holders will receive a combination of cash Distributions and franking credits. However, Distributions payable on PERLS V may be unfranked or not fully franked. If a Distribution is unfranked or not fully franked, the cash Distribution will generally be increased to compensate Holders for the unfranked portion of the Distribution.

The Bank understands that the ATO may form the view that the benefits of the franking credits should be denied to Holders even if the Bank has franked the relevant Distribution. If the ATO forms the view that franking credits should be denied to Holders, the Bank intends to have that view tested in court.

The Bank and the ATO have agreed to certain arrangements that will ensure the efficient settlement of litigation and management of the tax laws.

Under these arrangements:

- The Bank and the ATO will conduct a test case in the courts and ask the courts to determine whether a representative Holder who receives franked Distributions on the Notes should be denied the benefit of the franking credits.
- The ATO will, in effect, treat any franking credits on Distributions as being generally available to Holders other than the representative Holder (subject to the individual tax position of each Holder) until the test case (and any appeals) are finally determined.
- If the courts, after any applicable appeals, finally determine that the representative Holder who receives a franked Distribution on the Notes is able to benefit from the franking credits then the ATO will be bound by that result in relation to all Holders.
- If the courts, after any applicable appeals, finally determine that the representative Holder who receives a franked Distribution on the Notes should be denied the benefit of some or all of the franking credits:
  - The Bank will agree to pay to the ATO the expected tax liability of all relevant Holders in relation to the Distributions paid on the Notes since the Issue Date. The Note Terms and the Preference Share Terms provide that Holders direct the Bank to pay the compensation to the ATO.

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- The ATO will agree not to seek to deny the relevant Holders the benefit of the franking credits on Distributions already paid by the Bank, despite the courts' determination.
- The Bank will elect that an Assignment Event is to occur on or before the next Distribution Payment Date after which all Distributions will be paid on the Preference Share (see Section 1.8.1 "What is an Assignment Event?"). The benefits of the franking credits associated with Distributions on the Preference Share after assignment should not be denied by the ATO (i.e. the issues referred to above in relation to recognition of franking credits on PERLS V should not arise).

In the interests of efficient administration, under the Note Terms and the Preference Share Terms Holders automatically agree to be bound by the outcome of the test case (or any appeals, as applicable) and also agree not to seek amended assessments of their taxation position in respect of recognition of the benefit of franking credits on Distributions on PERLS V. Therefore, Holders who agree to be bound by these arrangements and who do not seek to independently challenge the ATO view will not be impacted.

However, Holders may choose to opt out of the arrangements between the Bank and ATO and challenge the ATO view independently. For such Holders, there is a risk that the ATO will be compelled to deny that Holder the benefit of any franking credits on Distributions, notwithstanding the ATO's arrangements with the Bank. Therefore, for these Holders the Bank will not gross up Distributions the subject of the Holder's challenge and the Bank will not make any payment to the ATO in respect of the tax liability of such Holders.

Further details of the Australian tax consequences for certain PERLS V Holders are contained in the Taxation Letter in Section 5 ("Taxation Information").

### 7.3 Ownership restrictions

This Section provides a general summary of some key ownership restrictions.

#### 7.3.1 Financial Sector (Shareholdings) Act limits

The Financial Sector (Shareholdings) Act 1998 (Cth) restricts ownership by people (together with their associates) of an Australian bank to 15% of the voting power of a bank. A shareholder may apply to the Australian Treasurer to

extend its ownership beyond 15%, but approval will not be granted unless the Treasurer is satisfied that a holding by that person of greater than 15% is in the national interest. These limits are only relevant to holdings of Bank Ordinary Shares.

#### 7.3.2 Foreign Acquisitions and Takeovers Act limits

The acquisition of shares in the Bank is subject to the Foreign Acquisitions and Takeovers Act 1975 ("FATA"). Under the FATA, the Commonwealth Treasurer may prohibit an acquisition of shares by, or make divestment orders in relation to shares held by, relevant persons if as a consequence of the acquisition or holding any "foreign person" as defined under the FATA (together with his or her associates) would have interests in 15% or more of the shares, or control 15% or more of the votes, in a company subject to FATA.

Investors in PERLS V or Bank Ordinary Shares who are foreign persons, or who are associates of other investors who are foreign persons, should consider and seek appropriate advice in the context of these restrictions.

### 7.4 Restrictions on foreign jurisdictions

The Offer is available to persons receiving this Prospectus in Australia. Due to regulatory requirements, the invitation to apply for PERLS V is not extended to investors (including holders of Bank Ordinary Shares, PERLS III or PERLS IV or former holders of PERLS II) located or resident outside Australia, other than certain Institutional Investors outside Australia at the sole discretion of the Bank and the Joint Lead Managers, and in compliance with applicable laws in the relevant jurisdictions.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. If you are a potential investor in any jurisdiction outside Australia and you come into possession of this Prospectus, you should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

In particular, PERLS V have not been and will not be registered under the US Securities Act or the laws of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, US Persons. Except as

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# Additional Information

otherwise agreed with the Bank, each of the Joint Lead Managers must not offer, sell or deliver PERLS V within the United States or to, or for the account or benefit of, US Persons, and is required to send to each dealer to which it sells PERLS V during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of PERLS V within the United States or to, or for the account or benefit of, US Persons. Terms used in this paragraph have the meanings given to them by Regulation S under the US Securities Act. In addition, until 40 days after the date on which PERLS V are Allotted under the Offer, an offer or sale of PERLS V within the United States by any dealer that is not participating in the Offer may violate the registration requirements of the US Securities Act.

Each person submitting an Application Form or otherwise purchasing PERLS V through the Offer will be deemed to have:

- acknowledged that PERLS V have not been, and will not be, registered under the US Securities Act, and may not be offered, sold or resold in the United States or to, or for the account or benefit of, a US Person except under an available exemption from registration; and
- represented, warranted and agreed as follows:
  - they are not in the United States or a US Person and they are not acting for the account or benefit of a US Person;
  - they are not engaged in the business of distributing PERLS V, or if they are, they will not offer, sell or resell in the United States or to, or for the account or benefit of, any US Person any PERLS V they acquire:
    - under the Offer; or
    - other than under the Offer until the end of 40 days after the date on which PERLS V are Allotted under the Offer (other than by way of ordinary brokerage transactions on ASX where neither the seller nor any person acting on their behalf knows, or has reason to know, that the sale has been prearranged with, or that the purchaser is, a person in the United States); and
  - if they are entitled to receive any fee or commission in connection with any purchase of PERLS V to which the Application or bid relates, they will not directly or indirectly pay or reallow any portion of such fee or commission to any other person.

Any person who does not make the representation and warranty set out above is not entitled to acquire any PERLS V.

## 7.5 Financial services disclosure

Contact details for the Bank are set out in the Corporate Directory, at the back of this Prospectus.

The Bank will not receive any “remuneration” in relation to the Offer, although it will receive the total Offer proceeds of approximately \$900 million (although the amount raised may be more or less) less the costs of the Offer (see Section 7.11 “Costs of the Offer”). The Bank will pay CommSec its share of the fees set out in Section 6.3.4 “Fees” in respect of the Offer. CommSec is a wholly owned subsidiary of the Bank.

Remuneration arrangements for staff of the Bank and CommSec do not directly include commissions or fees. They may be eligible for performance based pay, based on achievement of pre-determined business objectives. These may include contribution to profit, client service, risk management, product management, and leadership/team contribution. They may also receive benefits such as tickets to sporting and cultural events, corporate promotional merchandise and other similar benefits. The staff of the Bank and CommSec may also be eligible to share in recognition arrangements (both monetary and non-monetary) rewarded for outstanding service, receive a free grant of Bank Ordinary Shares under the Bank’s Employee Share Acquisition Plan or participate in the Bank’s long-term incentive Leadership Incentive Share Plan. The long-term incentive is in the form of Bank Ordinary Shares that only vest at a prescribed future date if the Bank attains a certain performance hurdle.

## 7.6 Consents

None of the parties referred to below (each a “**Consenting Party**”) has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified below. Each Consenting Party, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding, and takes no responsibility for, any statements in, or omissions from, this Prospectus, other than a statement or report included in this Prospectus with its consent as specified below. Each of the Consenting Parties has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named:



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- Freehills;
- Greenwood & Freehills Pty Limited has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion in Section 5 “Taxation Information” of this Prospectus of its Taxation Letter to the Bank in the form and context in which it is included;
- each Joint Lead Manager;
- PricewaterhouseCoopers; and
- Link.

Standard & Poor’s has not given its consent to the inclusion in this Prospectus of its ratings of the Bank’s long-term senior debt and PERLS V and is not liable for those statements under section 729(1) of the Corporations Act.

Moody’s has not given its consent to the inclusion in this Prospectus of its ratings of the Bank’s long-term senior debt, nor the statements referred to in Section 3.1.14, and is not liable for those statements under section 729(1) of the Corporations Act.

### 7.7 Interests of advisers

The Joint Structuring Advisers are being paid a structuring fee of 0.40% of the amount of PERLS V issued. The Joint Lead Managers have acted as joint lead managers and joint bookrunners to the Offer, in respect of which they will receive the fees as set out in Section 6.3.4 “Fees”.

That Section also sets out the fees that CommSec and Macquarie will receive in respect of their role as Joint Structuring Advisers to the Offer.

Certain institutional investors may be approached and, if they agree to apply for PERLS V, may be paid by the Joint Structuring Advisers up to 0.50% of the lesser of their commitment amount and the value of their Allotment provided they remain beneficial holders of at least the number of PERLS V Allotted to them for three months from the Issue Date.

Freehills has acted as Australian legal adviser to the Bank in relation to the Offer. In respect of this work, the Bank estimates that approximately \$580,000 (excluding disbursements and GST) will be payable to Freehills. Further amounts may be paid to Freehills under its normal time-based charges.

Greenwood & Freehills Pty Limited has acted as tax adviser to the Bank in relation to the Offer and has prepared its Taxation Letter to the Bank in Section 5 “Taxation

Information” of this Prospectus. The Bank estimates that approximately \$400,000 (excluding disbursements and GST) will be payable to Greenwood & Freehills Pty Limited. Further amounts may be paid to Greenwood & Freehills Pty Limited under its normal time-based charges.

PricewaterhouseCoopers has performed specific agreed upon procedures relating to certain financial matters disclosed in this Prospectus. The Bank estimates that approximately \$75,000 (excluding disbursements and GST) will be payable to PricewaterhouseCoopers in respect of this work. Further amounts may be paid to PricewaterhouseCoopers under its normal time-based charges.

Other than as set out in this Prospectus:

- no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; and
- no promoter or underwriter of the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds at the date of this Prospectus, or has held in the two years before that date, an interest in:

- the formation or promotion of the Bank;
- the Offer; or
- any property acquired or proposed to be acquired by the Bank in connection with its formation or promotion or with the Offer.

Other than as set out in this Prospectus, none of such persons has been paid or agreed to be paid any amount, nor has any benefit been given or agreed to be given to any such persons for services provided by them, in connection with the formation or promotion of the Bank or the Offer.

### 7.8 Interests of directors

No director or proposed director of the Bank holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- (a) the formation or promotion of the Bank;
- (b) the Offer; or
- (c) any property acquired or proposed to be acquired by the Bank in connection with its formation or promotion of the Offer.

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# Additional Information

No amount (whether in cash, shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any director or proposed director to induce them to become, or qualify them as, a director, or for services provided by them in connection with the formation or promotion of the Bank or with the Offer.

Directors of the Bank are paid fees in accordance with the Constitution. Details of directors' remuneration are contained in the "Directors' Report – Remuneration Report" section on page 56 of the Bank's 2008 Annual Report ("**Compensation Details**"). The Compensation Details have been lodged with ASIC and ASX and are incorporated into this Prospectus by reference. A copy can be obtained free of charge during the Offer Period by calling the **PERLS V Information Line on 1800 022 440** (Monday to Friday 8.30am – 7.30pm, Sydney Time).

### 7.9 ASIC relief

The Bank has received ASIC relief from:

- section 716(2) – to permit the inclusion in this Prospectus of credit ratings announced by a credit rating agency without its consent; and
- sections 728 and 729 – such that the Initial Holder will not be liable as a seller of the Stapled Securities; and
- section 713 and Class Order 00/195 – to permit the Bank to issue a transaction-specific prospectus in relation to the Stapled Securities.

### 7.10 ASX relief

ASX has indicated that it will grant the Bank the following confirmations:

- a confirmation that the terms of PERLS V are appropriate and equitable for the purposes of Listing Rule 6.1;
- a confirmation that Listing Rule 6.12 does not apply to conversion, exchange or redemption of Preference Shares;
- a confirmation that ASX considers the Distributions to be at a commercial rate in preference to holders of Bank Ordinary Shares for the purposes of Listing Rule 6.5;
- approval to allow PERLS V to trade on a deferred settlement basis for a short time following the Issue Date and quotation of PERLS V on ASX; and

- a confirmation that Listing Rule 7.1 is to be applied to the Bank as if PERLS V were the number of Bank Ordinary Shares into which they would Convert based on the market price of Bank Ordinary Shares immediately prior to the announcement of the Offer and that any Bank securities issued on Exchange of PERLS V will be treated as if they were issued under an exception in Listing Rule 7.2.

ASX has indicated that it will grant the Bank waivers from:

- Listing Rule 8.10, to the extent necessary to enable the Bank to refuse to register a transfer of a Preference Share or Note where it is not accompanied by a transfer to same transferee of the Note or Preference Share to which it is stapled; and
- Listing Rule 10.11, to permit the directors and their associates collectively to participate in the Offer without the approval of holders of Bank Ordinary Shares, on condition that the directors (and their associates) are restricted to applying for in aggregate no more than 0.20% of PERLS V issued or individually no more than 0.02% of PERLS V issued.

### 7.11 Costs of the Offer

The estimated total costs of the Offer including legal, accounting, share registry, listing, printing, advertising, fees payable to the Joint Lead Managers, and other expenses are estimated to be approximately \$23 million.

### 7.12 Respecting your personal information

The Bank collects personal information from you in order to process your application, administer your investment and keep in touch with you about your investment.

The Bank may disclose this information on a confidential basis to its subsidiaries and companies, as well as agents, contractors and third party service providers that provide services on its or their behalf (e.g. the Registry and a printing firm or mailhouse engaged to print and mail statements to you).

If you used a financial adviser who recommended your investment in PERLS V (as indicated on your Application Form), then details of your investment may be provided to that adviser.

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The Bank will also disclose your information if required or permitted to do so by law or if you consent or request the disclosure.

If you think the Bank's records of your personal information are incorrect or out of date, it is important that you contact the Bank so that your records can be corrected. You may (subject to permitted exceptions) access the personal information the Bank holds on you at any time by contacting the Bank's Customer Relations in writing. The Bank may charge a fee for such access.

You may choose not to give your personal information or to limit the information you provide, in which case the Bank may not be able to provide you with your requested investment, or make payments to you.

### 7.13 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the law applicable in New South Wales and each applicant submits to the exclusive jurisdiction of the courts of New South Wales.

### 7.14 Consents to lodgement

Every director of the Bank has given, and not withdrawn, his or her consent to the lodgement of this Prospectus with ASIC. This Prospectus is dated 28 August 2009.

Signed for and on behalf of Commonwealth Bank of Australia:

Director

## Section 7

# Additional Information

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# Appendix A

## Preference Share Terms

# Appendix A

## Preference Share Terms

### 1 Definitions and Interpretation

#### 1.1 Definitions

In these terms of issue the following expressions have the following meanings:

**Acquisition Event** means:

- (a) a takeover bid (as defined in the Corporations Act) is made to acquire some or all of the CBA Ordinary Shares on issue and the offer is, or becomes, unconditional and the voting power of the offeror in CBA is, or becomes, greater than 50%; or
- (b) a court approves a scheme of arrangement under Part 5.1 of the Corporations Act which, when implemented, will result in a person having voting power in CBA of more than 50%,

other than where such event is a NOHC Event except if it is an Upstream NOHC Event and no Upstream NOHC Event Notice is given within the period permitted in clause 11.2(a).

**Acquisition Event Notice** has the meaning given in clause 7.1.

**Acquisition Exchange Notice** has the meaning given in clause 7.2.

**ADI** means CBA or, following a Downstream NOHC Event, the “authorised deposit taking institution” (as defined in the Banking Act) which succeeds to the banking business of CBA as a result of the Downstream NOHC Event.

**Appointed Person** has the meaning given to that term in clause 12.1.

**APRA** means the Australian Prudential Regulation Authority.

**APRA Guidelines** means guidelines, policy statements and practice notes or other equivalent statements of APRA which are applicable to the ADI.

**Assignee** has the meaning given in the Note Terms.

**Assignment Event Date** has the meaning given in the Note Terms.

**ASX** means ASX Limited and any successor operator of the securities exchange operated by it.

**ASX Listing Rules** means the listing rules of ASX and any other applicable rules of ASX, each as amended or replaced, except to the extent of any written waiver granted by ASX.

**ASX Market Rules** means the operating rules of ASX each as amended or replaced, except to the extent of any written waiver granted by ASX.

**Authorised Officer** means each director and secretary of CBA and any person delegated on the authority of the Board to exercise the power of attorney and agency appointment conferred by clause 12.1.

**Bank Bill Swap Rate** means the average mid-rate for bills of a term of 90 days (expressed as a percentage per annum) which average rate is displayed on the page of Reuters Monitor System designated “BBSW” (or any page which replaces that page) at 10.30am (Sydney Time) on the relevant date, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30am (Sydney Time) on that date or, in the case of the Issue Date, if the first Dividend Period commences on the Issue Date and the period from the Issue Date to but excluding the first scheduled Dividend Payment Date is not equal to 90 days, the rate specified in good faith by CBA at or around that time on that date having regard, to the extent possible, to comparable indices and rates then available.

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

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

# Appendix A

## Preference Share Terms

**Business Day** has the meaning given to that term in the ASX Listing Rules.

**Capital Security** means any equity, hybrid or subordinated debt security.

**CBA** means Commonwealth Bank of Australia ABN 48 123 123 124 including foreign branches of Commonwealth Bank of Australia.

**CBA Group** means CBA and its controlled entities.

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

**CBA Stopper Resolution** means a resolution of the Board not to pay in full any Dividend on any Dividend Payment Date.

**Commissioner** means the Commissioner of Taxation of the Commonwealth of Australia.

**Constitution** means the constitution of CBA.

**Conversion** means the taking effect of the rights of a Preference Share under clause 8 (including without limitation the allotment of CBA Ordinary Shares under clause 8.1) and **Convert** and **Converted** have a corresponding meaning.

**Conversion Conditions** has the meaning given in clause 5.3.

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

**Cum Value** has the meaning given in clause 8.5(a).

**Deferred Acquisition Exchange Notice** has the meaning given in clause 7.5.

**Deferred Conversion Date** has the meaning given in clause 6.5(a).

**Deferred Exchange Date** has the meaning given in clause 9.2(e).

**Deferred Repurchase Date** has the meaning given in clause 5.7(b).

**Delisting Event** means, in respect of a date, that:

- (a) CBA Ordinary Shares ceased to be listed or admitted to trading on ASX on or before that date (and where the cessation occurred before that date, CBA Ordinary Shares continue not to be listed or admitted to trading on that date); or
- (b) trading of CBA Ordinary Shares on ASX is suspended for a period of consecutive days which includes:
  - (1) at least five consecutive Business Days prior to that date; and
  - (2) that date,

other than where such event occurs in connection with a NOHC Event, the implementation of a NOHC Event or any similar transaction.

**Distributable Profits** means, in relation to a Dividend Payment Date, the lesser of Level 1 Distributable Profits and Level 2 Distributable Profits (or any other amount determined by APRA to be appropriate in CBA's circumstances for the purposes of CBA's Tier 1 Capital obligations).

**Dividend** has the meaning given in clause 4.1, subject to clause 4.2 and clause 4.9.

**Dividend Payment Date** means:

- (a) 31 January, 30 April, 31 July and 31 October in each year; and
- (b) an Exchange Date,

provided that the first scheduled Dividend Payment Date will be 1 February 2010.

# Appendix A

## Preference Share Terms

**Dividend Period** means, in respect of a Preference Share:

- (a) for the first Dividend Period, the period from (and including) the last Interest Payment Date on or prior to the Assignment Event Date (or the Issue Date, if no Interest Payment Date has yet occurred) to (and excluding) the first Dividend Payment Date following that date; and
- (b) thereafter, the period from (and including) each Dividend Payment Date to (and excluding) the next Dividend Payment Date.

**Dividend Rate** means the percentage per annum calculated in accordance with the following formula:

$$(\text{Market Rate} + \text{Margin}) \times (1 - \text{Tax Rate}).$$

**Downstream NOHC Event** means CBA becomes a “non-operating holding company” within the meaning of the Banking Act.

**Encumbrance** means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security arrangement and any other arrangement of any kind having the same effect as any of the foregoing other than liens arising by operation of law.

**Exchange** means Conversion in accordance with and subject to clause 8, Repurchase in accordance with and subject to clause 10 or Resale in accordance with and subject to clause 9, and **Exchanged** has a corresponding meaning.

**Exchange Date** means:

- (a) where Exchange occurs under clause 6:
  - (1) the Exchange Date specified in the Optional Exchange Notice, which must be:
    - (A) other than where CBA has elected Resale or Repurchase in respect of a NOHC Event, not less than 22 Business Days and not more than six months after the date of the notice; or
    - (B) where CBA has elected Resale or Repurchase in respect of a NOHC Event, not less than five Business Days and not more than six months after the date of the notice; or
  - (2) the Deferred Conversion Date determined under clause 6.5;
- (b) in the case of Resale under clause 5.5(a) and clause 9, the Relevant Date, subject to clause 9.2(e);
- (c) in the case of Repurchase under clause 5.6 and clause 10, the Relevant Date or the Deferred Repurchase Date (as applicable under clause 5.8(b));
- (d) in the case of Conversion under clause 5.1, the date for Conversion as set out in clause 5.2; or
- (e) in the case of Exchange under clause 7, the Exchange Date specified in the Acquisition Exchange Notice.

**Exchange Method** has the meaning given in clause 6.3(a).

**Existing Capital Securities** means each of the:

- (a) PERLS III Securities;
- (b) PERLS IV Securities;
- (c) Trust Preferred Funding Securities; and
- (d) Trust Preferred Funding Securities II;

**Face Value** has the meaning given in clause 2.

**First Conversion Condition** has the meaning given in clause 5.3(a).

**Foreign Holder** means a Holder whose address in the Register is a place outside Australia and its external territories.

**Fourth Conversion Condition** has the meaning given in clause 5.3(d).



# Appendix A

## Preference Share Terms

**Government Agency** means any government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, bureau, tribunal, agency or entity in any part of the world.

**Holder** means a person whose name is for the time being registered in the Register as the holder of a Preference Share or Stapled Security.

**Initial Conversion Date** means 31 October 2014.

**Insufficient Distributable Profits Circumstance** means that, in relation to a Dividend Payment Date, the Dividend payable on that Dividend Payment Date exceeds Distributable Profits.

**Interest** has the meaning given in the Note Terms.

**Interest Payment Date** has the meaning given in the Note Terms.

**Interest Period** has the meaning given in the Note Terms.

**Issue Date** means the date on which a Preference Share is issued under these Preference Share Terms.

**Issue Date VWAP** means the VWAP during the period of 20 Business Days on which trading in CBA Ordinary Shares took place immediately preceding but not including the first date on which any Preference Shares were issued (expected to be on or around 14 October 2009), as adjusted in accordance with clauses 8.7 to 8.11 and clause 11.3.

**Level 1 Distributable Profits** means, in relation to a Dividend Payment Date, an amount calculated in accordance with the following formula:

$$\text{Level 1 Distributable Profits} = A - B$$

Where:

A is the aggregate of the consolidated net profits after income tax of CBA, its subsidiaries and other entities whose financial results are required by APRA to be consolidated with CBA on a Level 1 basis for the immediately preceding two six-monthly financial periods for which results have been publicly announced; and

B is the aggregate amount of dividends, distributions or other amounts paid, decided to be paid or liable to be paid by CBA, any of its subsidiaries and other entities whose financial results are required by APRA to be consolidated with CBA on a Level 1 basis on:

- (1) Preference Shares or Stapled Securities in the 12 months to and including the Dividend Payment Date;
- (2) any other Tier 1 qualifying Capital Security of CBA or any of its subsidiaries or any other entities whose financial results are required by APRA to be consolidated with CBA on a Level 1 basis to the extent dividends or distributions on those securities are funded by CBA or by instruments of CBA in the 12 months to and including the Dividend Payment Date; and
- (3) any other share capital of CBA (including CBA Ordinary Shares) in relation to the immediately preceding two six-monthly financial periods for which results have been publicly announced,

but excluding:

- (4) distributions payable in relation to the Preference Shares or Stapled Securities on the Dividend Payment Date;
- (5) any such dividend, distribution or other amount to which CBA, any of its subsidiaries or any other entities whose financial results are required by APRA to be consolidated with CBA on a Level 1 basis was or is beneficially entitled; and
- (6) any such dividend, distribution or other amount which is included in the calculation of consolidated net profit after tax within the meaning of A.

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## Preference Share Terms

**Level 2 Distributable Profits** means, in relation to a Dividend Payment Date, an amount calculated in accordance with the following formula:

$$\text{Level 2 Distributable Profits} = A - B$$

Where:

**A** is the aggregate of the consolidated net profits after income tax of CBA, its subsidiaries and other entities whose financial results are required by APRA to be consolidated with CBA on a Level 2 basis for the immediately preceding two six-monthly financial periods for which results have been publicly announced; and

**B** is the aggregate amount of dividends, distributions or other amounts paid, decided to be paid or liable to be paid by CBA, any of its subsidiaries and other entities whose financial results are required by APRA to be consolidated with CBA on a Level 2 basis on:

- (1) Preference Shares or Stapled Securities in the 12 months to and including the Dividend Payment Date;
- (2) any other Tier 1 qualifying Capital Security of CBA or any of its subsidiaries or any other entities whose financial results are required by APRA to be consolidated with CBA on a Level 2 basis to the extent dividends or distributions on those securities are funded by CBA or by instruments of CBA in the 12 months to and including the Dividend Payment Date; and
- (3) any other share capital of CBA (including CBA Ordinary Shares) in relation to the immediately preceding two six-monthly financial periods for which results have been publicly announced,

but excluding:

- (4) distributions payable in relation to the Preference Shares or Stapled Securities on the Dividend Payment Date;
- (5) any such dividend, distribution or other amount to which CBA, any of its subsidiaries or any other entities whose financial results are required by APRA to be consolidated with CBA on a Level 2 basis was or is beneficially entitled; and
- (6) any such dividend, distribution or other amount which is included in the calculation of consolidated net profit after tax within the meaning of A.

**Level 1**, **Level 2** and **Level 3** have the meaning determined in accordance with APRA Guidelines.

**Margin** means 3.40% per annum.

**Marketable Parcel** has the meaning given to it in the ASX Market Rules.

**Market Rate** means, for each Dividend Period, the Bank Bill Swap Rate on the first Business Day of that Dividend Period.

**Maximum Conversion Number** means the number calculated in accordance with the following formula:

$$\frac{\text{Face Value}}{0.5 \times \text{Issue Date VWAP}}$$

**NOHC** means the ultimate holding company of CBA after an Upstream NOHC Event which must be a “non-operating holding company” within the meaning of the Banking Act.

**NOHC Event** means:

- (a) an Upstream NOHC Event; or
- (b) a Downstream NOHC Event.

NOHC Ordinary Share means a fully paid ordinary share in the capital of NOHC.

**NOHC Transaction Date** means the date on which CBA becomes a direct or indirect subsidiary of NOHC after the occurrence of an Upstream NOHC Event.

# Appendix A

## Preference Share Terms

**Non-Innovative Tier 1 Capital** means at any time any equity, debt or other Capital Security so described by APRA (or other equivalent successor term).

**Note** means a subordinated unsecured note issued under the Note Deed Poll.

**Note Deed Poll** means the deed poll entitled “PERLS V Note Deed Poll” given by CBA, acting through its New Zealand Branch, in favour of the Holders from time to time.

**Note Terms** means the terms of issue of the Notes as set out in Appendix B of the Prospectus.

**Optional Conversion Test Date** has the meaning given in clause 6.4(a).

**Optional Dividend** means, in relation to any dividend paid on a date, the amount of that dividend that exceeds the Dividend (if any) scheduled to be paid on that date in accordance with clause 4.1.

**Optional Exchange Notice** has the meaning given in clause 6.1(a).

**PERLS III Securities** means convertible notes issued under the PERLS III Note Deed between CBA and Preferred Capital Limited and any preference shares in CBA issued on exchange of those convertible notes.

**PERLS IV Securities** means stapled securities comprising an unsecured subordinated Note issued by CBA's New York Branch and a preference share issued by CBA pursuant to a prospectus dated 1 June 2007.

**Preference Share** means a fully paid preference share in the share capital of CBA issued on the Preference Share Terms.

**Preference Share Terms** means these terms of issue.

**Promissory Note** means the promissory note in the form attached in Schedule 2 with any amendments required under clause 8.2.

**Prospectus** means the prospectus issued in relation to an offer of Stapled Securities.

**Purchaser** means:

- (a) in any case, one or more third parties selected by CBA in its absolute discretion (other than a member of the CBA Group), that has, or whose obligations are guaranteed or otherwise secured by an entity that has, a credit rating assigned by a ratings agency equal to or higher than the Preference Shares at that time; and
- (b) in the case of an Optional Exchange Notice in respect of an Upstream NOHC Event, the person who has or will have voting power of more than 50% in CBA or a nominee of such person.

**Record Date** means, in relation to a Dividend or Optional Dividend, the date which is seven calendar days before the relevant Dividend Payment Date for that dividend or such other date as CBA determines in its absolute discretion and communicates to ASX not less than six Business Days before the specified Record Date, or such other date as is required by ASX.

**Reference Period** means the period of 20 Business Days on which trading in CBA Ordinary Shares took place immediately preceding but not including the relevant Exchange Date.

**Register** means the register of Preference Shares maintained by the Registrar and includes any CHESS sub-register (as defined in the ASX Listing Rules).

**Registrar** means Link Market Services Limited or any other registrar that maintains the Register.

**Regulatory Event** means:

- (a) receipt by CBA of advice from a reputable legal counsel that, as a result of any change or proposed change in any law or regulation of Australia or any change in judicial interpretation of any such laws or regulations, additional requirements are imposed on any member of the CBA Group in relation to the Preference Shares or Stapled Securities, which CBA determines, in its absolute discretion, to be unacceptable; or

## Appendix A

# Preference Share Terms

(b) a determination by CBA that there is a risk that the ADI is not or will not be entitled to treat all of the Preference Shares or Stapled Securities as Non-Innovative Tier 1 Capital (on a Level 1, Level 2 or Level 3 basis as described by APRA) under APRA Guidelines.

**Relevant Date** has the meaning in clause 5.2.

**Repurchase** means, in relation to a Preference Share, CBA at its option redeeming, buying back on the terms in Schedule 1 or otherwise cancelling the Preference Share for its Face Value and **Repurchased** has a corresponding meaning.

**Repurchase Notice** means a notice issued in accordance with clause 5.7 or an Optional Exchange Notice issued in which CBA elects to Repurchase Preference Shares under clause 6.3.

**Resale** means, in relation to a Preference Share, the sale of the Preference Share (and, before an Assignment Event Date, any corresponding Note forming part of a Stapled Security) in accordance with clause 9 and **Resell** and **Resold** have a corresponding meaning.

**Resale Notice** means a notice issued in accordance with clause 5.5 or clause 9.2(e) or an Optional Exchange Notice issued in which CBA elects to Resell Preference Shares under clause 6.3.

**Risk Based Capital Ratio** means the ratio so described by APRA (or any equivalent successor term).

**Second Conversion Condition** has the meaning given in clause 5.3(b).

**Special Resolution** has the same meaning as in the *Corporations Act*.

**Stapled Security** means a stapled security comprising a Preference Share stapled to a Note in accordance with clause 3.

**Substituted Issuer** has the meaning given to that term in the Note Terms.

**Tax** means:

- (a) any tax, including GST, levy, charge, impost, duty, fee, deduction, compulsory loan or withholding; or
- (b) any income, stamp or transaction duty, tax or charge,

which is assessed, levied, imposed or collected by any Government Agency and includes, but is not limited to, any interest, fine, penalty, charge, fee or other amount imposed on or in respect of any of the above.

**Tax Act** means the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth), as the case may be.

**Tax Event** means the receipt by CBA of an opinion from a reputable legal counsel or other tax adviser that there is a material risk that:

- (a) CBA would be exposed to more than a de minimis increase in its costs (including grossing-up for withholding tax) in relation to the Stapled Securities or the Preference Shares; or
- (b) any payments in relation to the Stapled Securities or the Preference Shares would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act or Holders would not be entitled to franking credits in respect of the Stapled Securities or the Preference Shares, other than as a result of the actions of the Holder; or
- (c) CBA Group would be subject to more than a de minimis increase in the amount of taxes, assessments or government charges in respect of the issue of or payments under the Stapled Securities or the Preference Shares than it expects to bear; or

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## Preference Share Terms

(d) as a result of any amendment to, clarification of, or change (including any announced proposed change), in the laws or treaties or regulations of Australia, the Stapled Securities or Preference Shares will no longer be treated as equity interests under the Tax Act and/or any payments in relation to the Stapled Securities or Preference Shares will not be a frankable dividend or distribution under the Tax Act and/or Holders would receive materially reduced benefits in respect of the payments in relation to the Stapled Securities or Preference Shares,

provided that where any of the above occurs as a result of a determination by the Commissioner under section 177EA(5)(a) or 177EA(5)(b) of the Tax Act it is not a "Tax Event".

**Tax Rate** means the Australian corporate tax rate applicable at the relevant Dividend Payment Date, expressed as a decimal.

**Third Conversion Condition** has the meaning given in clause 5.3(c).

**Tier 1 Capital** means any equity, debt or other capital so described by APRA.

**Tier 1 Capital Ratio** means the ratio so described by APRA (or any equivalent successor term).

**Trust Preferred Funding Securities** means the convertible notes issued by CBA to CBA Funding Trust I in relation to the Trust Preferred Securities issued by CBA Capital Trust 1 pursuant to an offering memorandum dated 30 July 2003, and any preference shares in CBA issued on exchange of those securities.

**Trust Preferred Funding Securities II** means the preference shares issued by CBA to CBA Funding Trust II and the subordinated notes issued by CBA to CBA USD Funding Limited in relation to the Trust Preferred Securities issued by CBA Capital Trust II pursuant to an offering memorandum dated 7 March 2006.

**Upstream NOHC Event** means a court approves the convening of a meeting of the holders of CBA Ordinary Shares to approve a scheme of arrangement under Part 5.1 of the Corporations Act which:

- (a) the CBA Board determines can fairly be characterised as a restructure of the CBA Group; and
- (b) when implemented, will result in a "non-operating holding company" within the meaning of the Banking Act becoming the ultimate holding company of CBA after the scheme is implemented, and

either the holders (or relevant class or classes of holders) of CBA Ordinary Shares pass a resolution approving the scheme of arrangement or an independent expert issues a report that the scheme of arrangement is in the best interests of the holders of CBA Ordinary Shares.

**Upstream NOHC Event Notice** means a notice to Holders under clause 11.2.

**VWAP** means the average of the daily volume weighted average prices of CBA Ordinary Shares traded on the ASX during the relevant period or on the relevant days subject to any adjustments made under clauses 8.5 and 8.6, but the trades taken into account in determining such daily volume weighted average prices shall not include any "crossing" transacted outside the "Open Session State" or any "Special Crossing" transacted at any time, each as defined in the ASX Market Rules, or any overseas trades or trades pursuant to the exercise of options over CBA Ordinary Shares.

### 1.2 Interpretation

In these terms of issue, unless the context otherwise requires:

- (a) unless otherwise specified in these terms of issue, notices may be given by CBA to a Holder in the manner prescribed by the Constitution for the giving of notices and the relevant provisions of the Constitution apply with all necessary modification to notices to Holders;
- (b) unless otherwise specified in these terms of issue, the Board may exercise all powers of CBA under these terms of issue as are not, by the Corporations Act or by the Constitution, required to be exercised by CBA in general meeting;
- (c) definitions and interpretation under the Constitution will also apply to these terms of issue unless the contrary intention is expressed;

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# Preference Share Terms

- (d) headings and boldings are for convenience only and do not affect the interpretation of these terms of issue;
- (e) words importing the singular include the plural and vice versa;
- (f) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and any government or semi-government agency;
- (g) a reference to a clause or schedule is a reference to a clause of, and a schedule to, these terms of issue and a reference to these terms of issue includes any schedule;
- (h) a reference to any statute or regulation includes all statutes and regulations amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (i) a reference to a document includes an amendment or supplement to, or replacement or novation of, that document;
- (j) where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next succeeding Business Day;
- (k) a reference to a body, other than CBA or a Holder, including a commission or an exchange, whether statutory or not, which ceases to exist or whose functions or powers are transferred to another body, is a reference to the body which replaces it or substantially succeeds to its powers and functions;
- (l) references to sums of money are to amounts in Australian dollars;
- (m) if a calculation is required under these terms of issue, the calculation will be performed to four decimal places, provided that any amount to be paid to a Holder will be rounded down to the nearest cent; and
- (n) calculations, elections and determinations made by CBA under these terms of issue are binding on Holders in the absence of manifest error.

## 2 Face Value

The face value of each Preference Share is \$200.00 (**Face Value**).

## 3 Stapling

### 3.1 Stapling and transfer

Each Preference Share will be stapled to a Note. Each stapled Preference Share and Note together will constitute a Stapled Security. CBA will maintain a joint register for Stapled Securities and joint holding statements or certificates will be issued to holders.

Subject to the Note Terms and the Preference Share Terms, CBA will not take any corporate action which prejudices the stapling of Notes to the corresponding Preference Shares.

This clause 3.1 is subject to clause 3.4.

### 3.2 Transfer restrictions

- (a) Until the Assignment Event Date, no transfer of a Preference Share may be registered by the Registrar unless a transfer of the corresponding Note, which forms part of the same Stapled Security, is registered at the same time, from the same transferor to the same transferee.
- (b) If a Holder's holding of Stapled Securities or Preference Shares is less than a Marketable Parcel at any time, subject to the law, the ASX Listing Rules and the Constitution, CBA on behalf of the Holder may sell all of those Preference Shares (including any Preference Shares, and the corresponding Notes, which form part of Stapled Securities) as permitted by the Constitution.

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## Preference Share Terms

### 3.3 No separate dealings

Until the Assignment Event Date, a Preference Share, and any interest in a Preference Share, is not capable of being transferred, assigned or made the subject of an Encumbrance or trust in whole or in part, separately from the corresponding Note which forms part of the same Stapled Security. Any transferee, assignee or holder of an Encumbrance or trust takes Stapled Securities subject to, and agrees to be bound by, the Preference Share Terms.

### 3.4 Unstapling

On the Assignment Event Date, the corresponding Preference Share ceases to be stapled to the Note. For the avoidance of doubt, the Preference Share does not cease to be stapled to the corresponding Note which forms part of the same Stapled Security in any other circumstances.

## 4 Dividends

### 4.1 Dividends

Until the Assignment Event Date, the Holder is not entitled to receive any dividend on the Preference Shares (other than an Optional Dividend). Subject to these Preference Share Terms, the Holder of each Preference Share on the relevant Record Date is entitled to receive on each relevant Dividend Payment Date after the Assignment Event Date, a dividend (**Dividend**) calculated in accordance with the following formula:

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

where:

**N** means the number of days in the relevant Dividend Period.

### 4.2 Franking gross-up

(a) If any Dividend or Optional Dividend payment before the operation of this clause 4.2:

- (1) due to be made on a Preference Share does not have a “franking percentage” of 100% CBA must notify the Holders as soon as practicable and (regardless of whether that notice is actually given) CBA must increase the Dividend concerned; or
- (2) made on a Preference Share is subsequently found not to have, or is treated by the Commissioner as not having, a “franking percentage” of 100% other than as a result of any actions by the Holders, CBA must notify the Holder as soon as practicable and (regardless of whether that notice is actually given) must pay within 30 Business Days of CBA becoming aware of such finding or treatment an amount which represents the difference between the Dividend payment made and the increased Dividend concerned,

so that the additional dividend to be paid (the **Gross-Up Amount**) is the amount calculated in accordance with the following formula as adjusted by clause 4.2(a)(3):

$$\frac{I \times T \times (I - fI)}{I - T}$$

where:

**I** = the Dividend for the Dividend Period calculated, prior to any increase, in accordance with clause 4.1;

**T** = the Australian corporate tax rate applicable at the relevant Dividend Payment Date, expressed as a decimal; and

**f** = the “franking percentage” of the Dividend payable (excluding any payment under this clause 4.2) expressed as a decimal to four decimal places,

# Appendix A

## Preference Share Terms

provided that:

(3) any payment under this clause 4.2 will be adjusted in accordance with the following formula:

$$\frac{\text{Gross-Up Amount} \times (1 - T)}{1 - T + (T \times f2)}$$

where **f2** = the “franking percentage” of the Gross-Up Amount expressed as a decimal to four decimal places.

In this clause 4.2, “**franking percentage**” has the meaning given by section 203-35 of the Tax Act or any section that replaces or revises that section.

No interest is payable by CBA in respect of any amount payable under clause 4.2(a)(2).

(b) Notwithstanding any other provision of these Preference Share Terms, if a Holder:

- (1) fails to abide, or treat itself as bound, by the outcome of any administrative or judicial proceedings referred to in clause 17(a)(1);
- (2) seeks an amended assessment of their taxation position in respect of the availability of the benefit of franking credits on any Dividends or Optional Dividends;
- (3) seeks a determination from the Commissioner under section 177EA(5)(b) of the Tax Act in respect of any Dividends or Optional Dividends;
- (4) makes an election in accordance with clause 17(b); or
- (5) does anything having a substantially similar effect to paragraphs (1) to (4),

CBA will not pay, and will not be under any obligation to pay:

- (6) any increased Dividend or Optional Dividend pursuant to clause 4.2(a); or
- (7) any amount to the Commissioner under clause 17(a)(3) in respect of any tax liability in relation to any Dividend or Optional Dividend received, or expected to be received, by that Holder.

### 4.3 Dividend payment tests

The payment of a Dividend or Optional Dividend is subject to:

- (a) no CBA Stopper Resolution having been passed which has not been rescinded. Without limiting the Board’s discretion to declare or resolve not to pay the relevant dividend, the Board will declare the relevant dividend not to be payable or otherwise resolve not to pay the relevant dividend if in the opinion of the Board:
  - (1) CBA is not able, or payment of all or a portion of the relevant dividend would cause CBA not to be able, to pay all of its debts as and when they become due and payable;
  - (2) payment of all or a portion of the Dividend would result in CBA becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or
  - (3) payment of the relevant dividend would cause a breach of any APRA Guidelines (unless APRA has given its approval for the payment); and
- (b) none of the following conditions existing on the Business Day prior to the relevant Dividend Payment Date:
  - (1) there is an Insufficient Distributable Profits Circumstance unless otherwise approved in writing by APRA;
  - (2) the payment would result in the Risk Based Capital Ratio or the Tier 1 Capital Ratio of the ADI (on a Level 1, Level 2 or Level 3 basis as described by APRA) not complying with APRA Guidelines unless APRA otherwise gives its approval;
  - (3) APRA has objected to the proposed payment; or



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- (4) APRA has stated that the payment will result in the Preference Shares no longer being treated as Non-Innovative Residual Tier 1 Capital of the ADI (on a Level 1, Level 2 or Level 3 basis as described by APRA); and
- (c) the Corporations Act and any other law not prohibiting CBA paying the relevant dividend (including there being profits legally available for the payment of dividends).

The Board may not pass a CBA Stopper Resolution in respect of only a portion of a Dividend.

#### 4.4 Non-cumulative Dividends

The dividend rights attached to the Preference Shares are non-cumulative. Therefore, if and to the extent that all or any part of a Dividend is not paid because of any provision of clause 4.3 or because of any applicable law, CBA has no liability to pay that Dividend and the Holder has no claim or entitlement in respect of the non-payment of that Dividend, notwithstanding the ability for an Optional Dividend to be paid. No amount accrues on any unpaid Dividends or Optional Dividends, and the Holder has no claim or entitlement in respect of interest on, or otherwise in respect of, any unpaid Dividends or Optional Dividends.

#### 4.5 Optional Dividends

- (a) Subject to clause 4.3 and the rest of this clause 4.5, the Board, at its discretion, and with the prior written approval of APRA, may declare and pay Optional Dividends.
- (b) An Optional Dividend may only be paid if any of the following apply:
  - (1) a Dividend calculated under clause 4.1 has not been paid on a Dividend Payment Date before the date for payment of the relevant Optional Dividend (**Optional Dividend Payment Date**);
  - (2) Interest calculated under clause 4.1 of the Note Terms has not been paid on an Interest Payment Date before the Optional Dividend Payment Date,and to the extent no Optional Dividend(s) has been previously paid which is attributable to the relevant unpaid Dividend or Interest under clause 4.5(c).
- (c) Where an Optional Dividend (or part thereof) is attributable to an Interest Period ending prior to the Assignment Event Date, the amount of that Optional Dividend (or part thereof attributable to the Interest Period) must be equal to the amount of a Dividend calculated in accordance with clause 4.1 which would have been payable if that Interest Period had been a Dividend Period.
- (d) An Optional Dividend shall be attributable to a Dividend Period or Interest Period:
  - (1) in respect of which a Dividend or Interest has not been paid before the Optional Dividend Payment Date; and
  - (2) to the extent no Optional Dividend has previously been attributed to that period, and the Board shall specify the Dividend Period(s) or Interest Period(s) to which the Optional Dividend is to be attributed at the time the Optional Dividend is declared.
- (e) Any Optional Dividend will be grossed up for franking credits to the extent required under clause 4.2.

#### 4.6 Calculation of Dividends

All calculations of Dividends and Optional Dividends will be rounded to four decimal places. For the purposes of making any payment of a Dividend or Optional Dividend in respect of a Holder's aggregate holding of Preference Shares, any fraction of a cent will be disregarded.

#### 4.7 Dividend Payment Dates

Subject to this clause 4, Dividends will be payable in arrears on each Dividend Payment Date.

#### 4.8 Record Dates

A Dividend is only payable to those persons registered as Holders on the Record Date for that Dividend. An Optional Dividend is only payable to those persons registered as Holders on the Record Date in respect of the Optional Dividend.

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# Preference Share Terms

### 4.9 No gross-up

CBA will be entitled to deduct from any Dividend or Optional Dividend or other amount payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by CBA to the appropriate authority and the balance of the amount payable has been paid to the Holder concerned, then the full amount payable to such Holder shall be deemed to have been duly paid and satisfied by CBA. CBA shall pay the full amount deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law and shall, if required by any Holder, deliver to that Holder the relevant receipt issued by the revenue authority without delay after it is received by CBA.

### 4.10 Dividend security

(a) Subject to clauses 4.10(b) and 4.11, where:

- (1) after the Assignment Event Date, each Holder is not paid a Dividend in full within 20 Business Days of the Dividend Payment Date; or
- (2) any amount of Interest scheduled to be paid to Holders on the Notes has not been paid in full within 20 Business Days of an Interest Payment Date,

CBA must not pay any interest, declare or pay any dividends or distribution from the income or capital of CBA, return any capital or undertake any buy-backs, redemptions or repurchases in relation to CBA Ordinary Shares, Existing Capital Securities or any securities of CBA that rank, or are expressed to rank, for interest payments, dividends or distributions equally with or junior to the Notes (or if the Notes are no longer on issue or have become obligations of a Substituted Issuer, would have ranked equally with or junior to them whilst owed by CBA) or Preference Shares unless and until:

- (1) a Special Resolution of Holders authorising the payment, capital return, buy-back, redemption or repurchase is approved, and APRA does not otherwise object; or
- (2) Optional Dividends in an amount in aggregate equal to the amount unpaid to Holders for the preceding four consecutive Dividend Periods or Interest Periods has been paid to Holders; or
- (3) four consecutive Dividends scheduled to be payable on the Preference Shares thereafter have been paid in full; or
- (4) all Preference Shares have been Exchanged.

(b) Clause 4.10(a) will not apply in relation to Existing Capital Securities if:

- (1) the relevant Interest is not paid solely because the condition referred to in clause 4.4(b)(1) of the Note Terms exists in relation to the relevant Interest Payment Date; or
- (2) the relevant Dividend is not paid solely because the condition referred to in clause 4.3(b)(1) exists in relation to the relevant Dividend Payment Date.

### 4.11 Exceptions

Clause 4.10 does not apply to:

- (a) pro-rata payments on Preference Shares and any other securities of CBA in relation to which clause 4.10(a) then applies that rank or are expressed to rank for interest payments, dividends or distributions equally with the Preference Share or Notes (or if the Notes are no longer on issue or have become obligations of a Substituted Issuer, would have ranked equally with them whilst owed by CBA);
- (b) repurchases, redemptions or other acquisitions of shares in CBA in connection with:
  - (1) any employment contract, benefit plan or similar arrangement with, or for the benefit, of any one or more employees, officers, directors or consultants of CBA or its related bodies corporate; or
  - (2) a dividend plan, share purchase plan or share disposal plan; or
  - (3) the issue of shares in CBA, or securities convertible into or exercisable for shares in CBA, as consideration in an acquisition transaction entered into prior to the occurrence of the failure to pay a distribution on the relevant Dividend Payment Date;

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## Preference Share Terms

- (c) an exchange, redemption or conversion of any class or series of CBA's securities, or any securities of a subsidiary of CBA or of any other entity whose financial results are required to be consolidated with CBA, for any class or series of CBA's shares, or of any class or series of CBA's indebtedness for any class or series of CBA's shares;
- (d) the purchase of fractional interests in shares in CBA under the conversion or exchange provisions of the shares or the security being converted or exchanged;
- (e) any declaration of a dividend in connection with any shareholder's rights plan, or the issue of rights, shares or other property under any shareholder's rights plan, or the redemption or repurchase of rights pursuant to the plan; or
- (f) any dividend in the form of shares, warrants, options or other rights where the dividend shares, or the shares issuable upon exercise of such warrants, options or other rights, are the same class or series of shares as those on which the dividend is being paid or rank equal or junior to those shares.

## 5 Conversion

### 5.1 Conversion

Subject to clauses 5.5 and 5.7, on the date for Conversion set out in clause 5.2, CBA must Convert all (but not some) Preference Shares on issue at that date into CBA Ordinary Shares under clauses 5 and 8.

### 5.2 Date for Conversion

The date for Conversion under clause 5.1 will be the earlier of:

- (a) 31 October 2014 (**Initial Conversion Date**); and
  - (b) each Dividend Payment Date after 31 October 2014,
- (each a **Relevant Date**) on which the Conversion Conditions are satisfied.

### 5.3 Conversion Conditions

The Conversion Conditions for each Relevant Date are:

- (a) the VWAP on the 25th Business Day before the Relevant Date (or if trading in CBA Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in CBA Ordinary Shares occurred) is greater than 56% of the Issue Date VWAP (the **First Conversion Condition**);
- (b) the VWAP during the period of 20 Business Days on which trading in CBA Ordinary Shares took place immediately preceding but not including the Relevant Date is greater than the Issue Date VWAP multiplied by  $\frac{50}{99}$  (the **Second Conversion Condition**);
- (c) no Delisting Event applies in respect of the Relevant Date (the **Third Conversion Condition**); and
- (d) CBA has not elected to Resell all Preference Shares pursuant to clause 5.5(a) and clause 9 (the **Fourth Conversion Condition** and, together with the First Conversion Condition, Second Conversion Condition and Third Conversion Condition, the **Conversion Conditions**).

### 5.4 Non-Conversion Notices

- (a) If the First Conversion Condition is not satisfied in relation to a Relevant Date, CBA will make an announcement to ASX between the 25th and the 21st Business Day before the Relevant Date notifying Holders that Conversion will not proceed on the Relevant Date.
- (b) If the Second Conversion Condition or the Third Conversion Condition is not satisfied in relation to a Relevant Date, CBA will make an announcement to ASX on or as soon as practicable after the Relevant Date notifying Holders that Conversion under clause 5.1 did not occur on the Relevant Date, unless it has already given a Resale Notice or a Repurchase Notice in relation to that Relevant Date.

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## Preference Share Terms

### 5.5 Resale on the Relevant Date

- (a) Subject to clause 5.5(b), whether or not the Conversion Conditions are satisfied in relation to a Relevant Date, CBA may elect to Resell all (but not some) of the Preference Shares on the Relevant Date in accordance with clause 9 by giving a notice (a **Resale Notice**) not less than 21 Business Days prior to the Relevant Date. Subject to clause 5.7, a Resale Notice, once given, is irrevocable.
- (b) CBA must not give a Resale Notice under clause 5.5(a) in relation to a Relevant Date if it has previously given a Repurchase Notice under clause 5.7.

### 5.6 Contents of Resale Notice

A Resale Notice must specify the identity of the Purchaser for that Resale.

### 5.7 Repurchase

If:

- (a) the First Conversion Condition is not satisfied in relation to a Relevant Date, CBA may, subject to APRA's prior written approval, elect to Repurchase all (but not some) of the Preference Shares in accordance with clause 10 by giving a notice (a **Repurchase Notice**) not less than 10 Business Days prior to the Relevant Date; or
- (b) the Second Conversion Condition or Third Conversion Condition is not satisfied in relation to a Relevant Date, CBA may, subject to APRA's prior written approval, elect to Repurchase all (but not some) of the Preference Shares, in accordance with clause 10, on a date no later than 30 Business Days after the Relevant Date (the **Deferred Repurchase Date**) by giving a Repurchase Notice at least 10 Business Days before the Deferred Repurchase Date.

CBA may give a Repurchase Notice under clause 5.7(a) or clause 5.7(b) in relation to a Relevant Date if it has already given a Resale Notice under clause 5.5 in relation to that date and if CBA does the Resale Notice will be taken to have been revoked and replaced by the Repurchase Notice. A Repurchase Notice, once given, is irrevocable.

### 5.8 Contents of Repurchase Notice

A Repurchase Notice must specify:

- (a) the details of the Conversion Condition to which the Repurchase Notice relates;
- (b) the relevant Exchange Date on which Repurchase is to occur, which must be the Relevant Date in the case of a Repurchase under clause 5.7(a) and the Deferred Repurchase Date in the case of a Repurchase under clause 5.7(b);
- (c) whether the Repurchase will occur by way of redemption, buy-back or reduction of capital (or a combination of these methods); and
- (d) whether any Dividend will be paid on the Exchange Date.

## 6 Optional Exchange

### 6.1 Optional Exchange events

- (a) CBA may, subject to APRA's prior written approval, give a notice (an **Optional Exchange Notice**) to Holders after the occurrence of a Regulatory Event, NOHC Event or Tax Event (each an **Optional Exchange Event**), to Exchange all (but not some) of the Preference Shares.
- (b) The Optional Exchange Notice must be given within such period after the occurrence of an Optional Exchange Event to allow the scheduled Exchange Date specified in the Optional Exchange Notice to be within 12 months of the Optional Exchange Event.
- (c) Each Holder acknowledges that an Optional Exchange Notice may be given to them by CBA publishing the notice on its website ([www.commbank.com.au](http://www.commbank.com.au)) and announcing the publication of the notice to ASX.
- (d) An Optional Exchange Notice, once given, is irrevocable.

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## Preference Share Terms

### 6.2 Contents of Optional Exchange Notice

An Optional Exchange Notice must specify:

- (a) the details of the relevant Regulatory Event, NOHC Event or Tax Event to which the Optional Exchange Notice relates;
- (b) the Exchange Date;
- (c) the Exchange Method;
- (d) if the Optional Exchange Notice provides that Preference Shares are to be Repurchased, whether the Repurchase will occur by way of redemption, buy-back or reduction of capital (or a combination of these methods);
- (e) if the Optional Exchange Notice provides that Preference Shares are to be Resold, the identity of the Purchaser for the Resale; and
- (f) whether any Dividend will be paid on the Exchange Date.

### 6.3 Method of Exchange

- (a) If CBA gives an Optional Exchange Notice, CBA must, subject to clause 6.4, specify which one or combination of the following actions it intends to take in respect of the Preference Shares (the **Exchange Method**):
  - (1) subject to APRA's prior written approval, Converts all or some of the Preference Shares to a number of CBA Ordinary Shares calculated in accordance with clause 8; or
  - (2) subject to APRA's prior written approval, Repurchases all or some of the Preference Shares in accordance with clause 10; or
  - (3) Resells all of the Preference Shares in accordance with clause 9.1.
- (b) If CBA elects more than one Exchange Method it must endeavour to treat Holders on an approximately proportionate basis, but may discriminate to take account of the effect on all or some holdings which would be less than a Marketable Parcel and other considerations.

### 6.4 Exchange Conversion Conditions

CBA may not elect Conversion as the Exchange Method in respect of an Exchange if:

- (a) the VWAP on the second Business Day before the proposed date of commencement of dispatch or publishing or announcement in accordance with clause 6.1(c) (as the case may be) by CBA of the relevant Optional Exchange Notice or Acquisition Exchange Notice (as the case may be) (or, if trading in CBA Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in CBA Ordinary Shares occurred) (the **Optional Conversion Test Date**) is less than 56% of the Issue Date VWAP; or
- (b) the Third Conversion Condition, determined on the basis that the reference to the "Relevant Date" is to the Optional Conversion Test Date, is not satisfied.

### 6.5 Conditions to Conversion occurring once elected by CBA

If CBA has given an Optional Exchange Notice in which it has elected Conversion as the Exchange Method but, if the Exchange Date specified in the Optional Exchange Notice were a "Relevant Date" for the purpose of clause 5.3, any of the Second Conversion Condition or the Third Conversion Condition would not be satisfied in respect of that date, then, notwithstanding any other provision of these terms:

- (a) the Exchange Date specified in the Optional Exchange Notice will be deferred until the first Dividend Payment Date on which the Conversion Conditions would be satisfied if that Dividend Payment Date were a "Relevant Date" for the purposes of clause 5.3 (the **Deferred Conversion Date**);
- (b) CBA must Convert those Preference Shares on the Deferred Conversion Date determined under clause 6.5(a); and
- (c) until the Deferred Conversion Date, all rights attaching to the Preference Shares will continue as if the Optional Exchange Notice had not been given.

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## Preference Share Terms

### 7 Acquisition Event

#### 7.1 Notice of Acquisition Event

CBA must notify Holders of the occurrence of an Acquisition Event as soon as practicable after becoming aware of that event (an **Acquisition Event Notice**).

#### 7.2 Exchange on Acquisition Event

If an Acquisition Event occurs, CBA must, subject to obtaining the prior written approval of APRA, Exchange all (but not some only) Preference Shares on the Exchange Date by notice to Holders (an **Acquisition Exchange Notice**) in accordance with this clause 7 and clause 8 or clause 10 (as the case may be).

#### 7.3 Contents of Acquisition Exchange Notice

An Acquisition Exchange Notice must specify:

- (a) the details of the Acquisition Event to which the Acquisition Exchange Notice relates;
- (b) the Exchange Date, which must be:
  - (1) no later than 35 Business Days after the date on which the Acquisition Event occurred (or such later date as APRA may require); and
  - (2) where Conversion is the Exchange Method, no earlier than the 25th Business Day after the date on which the Acquisition Event Notice is given;
- (c) the Exchange Method, which, subject to clause 6.4, must either be Conversion in accordance with clause 8 or Repurchase in accordance with clause 10 as elected by CBA;
- (d) if the Acquisition Exchange Notice provides that Preference Shares are to be Repurchased, whether the Repurchase will occur by way of redemption, buy-back or reduction of capital (or a combination of these methods); and
- (e) whether any Dividend will be paid on the Exchange Date.

#### 7.4 Where Acquisition Exchange Notice not required

Notwithstanding any other provision of clause 7.2 or clause 7.3, if:

- (a) APRA does not approve Repurchase as the Exchange Method; and
- (b) CBA is prevented from electing Conversion as the Exchange Method by clause 6.4,

CBA is not required to give an Acquisition Exchange Notice and the provisions of clause 7.5 will apply.

#### 7.5 Deferred Exchange on Acquisition Event

If:

- (a) clause 7.4 applies; or
- (b) CBA has given an Acquisition Exchange Notice and it has elected Conversion as the Exchange Method but, if the Exchange Date specified in the Acquisition Exchange Notice were a "Relevant Date" for the purpose of clause 5.3, either of the Second Conversion Condition or the Third Conversion Condition would not be satisfied in respect of that date,

then notwithstanding any other provision of these terms of issue:

- (c) the Acquisition Exchange Notice, if given, is taken to be revoked and Exchange will not occur on the Exchange Date specified in the Acquisition Event Notice;
- (d) CBA will notify Holders as soon as practicable that Exchange will not (or as the case may be, did not) occur (a **Deferred Acquisition Exchange Notice**); and

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## Preference Share Terms

- (e) CBA must, unless clause 7.4 then applies, give an Acquisition Exchange Notice (or, as the case may be, a new Acquisition Exchange Notice) on or before the 25th Business Day prior to the Dividend Payment Date immediately succeeding the date on which the Deferred Acquisition Exchange Notice was given (or, if there are less than 25 Business Days between the date on which the Deferred Acquisition Exchange Notice was given and the Dividend Payment Date immediately succeeding that date (the **First Dividend Payment Date**), on or before the 25th Business Day prior to the Dividend Payment Date immediately succeeding the First Dividend Payment Date).

### 7.6 Reapplication of deferred Exchange provisions

If clause 7.5 applies but:

- (a) clause 7.4 applies in respect of the Dividend Payment Date immediately succeeding the date on which the Deferred Acquisition Exchange Notice was given such that no Acquisition Exchange Notice (or, as the case may be, no new Acquisition Exchange Notice) is given under clause 7.5(e); or
- (b) an Acquisition Exchange Notice (or, as the case may be, a new Acquisition Exchange Notice) is given under clause 7.5(e) but, if the Exchange Date specified in the Acquisition Exchange Notice were a “Relevant Date” for the purpose of clause 5.3, either the Second Conversion Condition or the Third Conversion Condition would not be satisfied in respect of that date,

then clause 7.5 will be reapplied in respect of each subsequent Dividend Payment Date until an Exchange occurs.

### 7.7 Additional contents of Acquisition Exchange Notice where Exchange is deferred

The Acquisition Exchange Notice given in accordance with clause 7.5(e) must:

- (a) specify the Exchange Method, which, subject to clause 6.4, must be either Conversion in accordance with clause 8 or Repurchase in accordance with clause 10 as elected by CBA; and
- (b) otherwise comply with clause 7.3.

### 7.8 Takeovers and schemes of arrangements

If:

- (a) a takeover bid is made for CBA Ordinary Shares, acceptance of which is recommended by the Board; or
- (b) the Board recommends a scheme of arrangement in respect of CBA Ordinary Shares which will result in a person other than CBA having a relevant interest in more than 50% of CBA Ordinary Shares,

in each case which would (if the remaining elements of the definition of “Acquisition Event” are satisfied) result in an Acquisition Event then, if:

- (c) the Board considers that APRA will not approve Exchange of Preference Shares in accordance with clause 7.2; or
- (d) the Second Conversion Condition or the Third Conversion Condition would not be satisfied in respect of the relevant Exchange Date in accordance with this clause 7,

the Board will use all reasonable endeavours to procure that an equivalent takeover offer is made to Preference Share Holders or that they are entitled to participate in the scheme of arrangement or a similar transaction.

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## Preference Share Terms

### 8 Conversion of Preference Shares

#### 8.1 Calculation

Subject to this clause 8, if CBA elects or is required to Convert Preference Shares into CBA Ordinary Shares pursuant to these terms of issue, on the relevant Exchange Date the Holder will be entitled to be issued, in accordance with clause 8.2, with a number of CBA Ordinary Shares for all of that Holder's Preference Shares that are to be Converted, calculated in accordance with the following formula:

**C x N**

where:

**C** means a number of CBA Ordinary Shares determined in accordance with the following formula (but subject to C being no more than the Maximum Conversion Number):

$$C = \frac{\text{Face Value}}{\text{VWAP} \times (1 - \text{DF})}$$

**DF** is the discount factor and is 0.01;

**VWAP** means VWAP during the Reference Period; and

**N** means the number of Preference Shares held by that Holder which are to be Converted.

#### 8.2 Conversion mechanics

If clause 8.1 applies, on the relevant Exchange Date:

(a) CBA and the Holder will be taken to have agreed that CBA will issue to the Holder a number of CBA Ordinary Shares calculated under clause 8.1 in return for the payment by the Holder of an amount equal to that calculated in accordance with the following formula:

$$\text{Face Value} \times N$$

where **N** means the number of Preference Shares held by the Holder which are to be Converted under clause 8.1;

(b) the Holder's obligation to pay the amount referred to in clause 8.2(a) will be satisfied by the issue and delivery to CBA of a Promissory Note (issued and delivered on behalf of the Holder under clause 12.1(a)), under which the Holder agrees to pay to the bearer of the Promissory Note the amount referred to in clause 8.2(a) such Promissory Note and any proceeds thereof to be applied in redemption of the Preference Shares Converted in accordance with clause 8.2(d);

(c) upon and against such issue and delivery of the Promissory Note to CBA under clause 8.2(b), CBA will issue a number of CBA Ordinary Shares calculated under clause 8.1 to the Holder, and the issue of such shares shall be made for the purpose of enabling the redemption referred to in clause 8.2(d);

(d) CBA must redeem the Preference Shares Converted under clause 8.1 out of the proceeds of issue of the CBA Ordinary Shares referred to in clause 8.1 by the assignment and transfer by delivery by CBA to the Holder of the Promissory Note received by CBA under clause 8.2(b), and the cancellation of the Holder's obligations thereunder. The Promissory Note will be taken to be delivered to the Holder and will be held by CBA on the Holder's behalf under clause 12.1(a) when the Preference Share is redeemed. Thereupon the cancellation of the Promissory Note will be effected on the Holder's behalf under clause 12.1(a);

(e) if any of the actions described in paragraphs (a), (b), (c) or (d) of this clause 8.2 is not completed, none of those actions will occur and Conversion of the number of Preference Shares which are to be Converted under clause 8.1 will not take place and to the extent CBA is the holder of the Promissory Note or its proceeds and the Promissory Note and its proceeds are not applied in accordance with clause 8.2(d), the Promissory Note and any such proceeds will be held on trust for the Holder; and



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## Preference Share Terms

- (f) CBA must pay to the Holder any Dividend that is due and payable but has not been paid on or before the date of Conversion.

### 8.3 Ranking of CBA Ordinary Shares

Each CBA Ordinary Share resulting from Conversion will rank equally with all other CBA Ordinary Shares then on issue and CBA will issue a statement that the holder of those shares holds a share so ranking.

### 8.4 Number of CBA Ordinary Shares

If the total number of CBA Ordinary Shares to be issued to a Holder under clause 8.1 in respect of all of the Holder's Preference Shares being Converted includes a fraction of a share, that fraction of a share will be disregarded.

### 8.5 Adjustment to VWAP

For the purposes of calculating VWAP under clause 8.1:

- (a) Where, on the relevant date or on some or all of the Business Days in the relevant period, CBA Ordinary Shares have been quoted on ASX as *cum* dividend or *cum* any other distribution or entitlement and the Preference Shares will convert into CBA Ordinary Shares after that date and those CBA Ordinary Shares no longer carry that entitlement, then the VWAP on the Business Days on which those CBA Ordinary Shares have been quoted *cum* dividend or *cum* entitlement shall be reduced by an amount (**Cum Value**) equal to:
- (1) in the case of a dividend or other cash distribution, the amount of that dividend or cash distribution; or
  - (2) in the case of an entitlement which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX on the relevant day or during the relevant period on the Business Days on which those entitlements were traded (excluding transactions, such as "Special Crossings" of the kind that would be excluded in determining a VWAP under the definition of that term); or
  - (3) in the case of an entitlement not traded on ASX on the relevant day or during the relevant period or a non-cash distribution, the value of the entitlement or non-cash distribution as reasonably determined by the Board; and
- (b) Where on the relevant date or on some or all of the Business Days in the relevant period, CBA Ordinary Shares have been quoted *ex* dividend, *ex* distribution or *ex* entitlement, and the Preference Shares will be Converted to CBA Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those CBA Ordinary Shares have been quoted *ex* dividend, *ex* distribution or *ex* entitlement shall be increased by the Cum Value.

### 8.6 Adjustment to VWAP for capital reconstruction

Where CBA Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities during the period in which the VWAP is calculated under clause 8.1, the VWAP shall be adjusted by CBA as it considers appropriate to ensure that the Holders are in an economic position in relation to their Preference Shares that is as similar as reasonably practicable to the economic position prior to the occurrence of the event that gave rise to the need for the adjustment. Any adjustment made by CBA will be effective and binding on Holders under these terms of issue and these terms of issue will be construed accordingly. Any such adjustment must be promptly notified to all Holders by ASX announcement.

### 8.7 Adjustment to Issue Date VWAP for bonus and rights issues

- (a) Subject to clauses 8.7(b) and (c) below, if CBA makes a pro rata bonus issue or a rights issue or other essentially pro rata issue (including an issue of the kind known as a "jumbo" or "RAPIDS" issue, where offers to certain institutional holders (or beneficial holders) are made in advance of offers to other holders of CBA Ordinary Shares to holders of CBA Ordinary Shares generally, the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

$$V = V_0 \times \frac{1}{P} \times \frac{(RD \times P) + (RN \times A)}{(RD + RN)}$$

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## Preference Share Terms

where:

**V** means the Issue Date VWAP applying immediately after the application of this formula;

**Vo** means the Issue Date VWAP applying immediately prior to the application of this formula;

**P** means the VWAP during the period from (and including) the first Business Day after the announcement of the bonus, rights or other relevant issue to ASX up to (and including) the last Business Day of trading cum rights, bonus or other relevant issue (or if there is no period of cum rights, bonus or other relevant issue trading, an amount reasonably determined by the Board as representing the value of a CBA Ordinary Share cum the rights, bonus or other relevant issue);

**A** means the subscription or unit price per CBA Ordinary Share for a rights issue and is zero in the case of a bonus issue;

**RN** means the number of CBA Ordinary Shares issued pursuant to the rights, bonus or other relevant issue; and

**RD** means the number of CBA Ordinary Shares on issue immediately prior to the allotment of new CBA Ordinary Shares pursuant to the rights, bonus or other relevant issue.

(b) No adjustment to the Issue Date VWAP will occur if A exceeds P.

(c) Clause 8.7(a) does not apply to CBA Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.

(d) For the purpose of clause 8.7, an issue will be regarded as a pro rata issue notwithstanding that CBA does not make offers to some or all holders of CBA Ordinary Shares with registered addresses outside Australia and New Zealand, provided that in so doing CBA is not in contravention of the ASX Listing Rules.

### 8.8 Adjustment to Issue Date VWAP for off market buy-back

(a) Subject to clause 8.8(b), if CBA undertakes an off market buy-back under a scheme which but for restrictions on transfer would be generally available to holders of CBA Ordinary Shares, the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

$$V = V_o \times \frac{1}{P} \times \frac{(BD \times P) - (BN \times A)}{(BD - BN)}$$

where:

**V** means the Issue Date VWAP respectively applying immediately after the application of this formula;

**Vo** means the Issue Date VWAP respectively applying immediately prior to the application of this formula;

**P** means the VWAP during the 20 Business Days prior to the announcement to ASX of the buy-back;

**A** means the buy-back price per CBA Ordinary Share;

**BN** means the number of CBA Ordinary Shares bought back; and

**BD** means the number of CBA Ordinary Shares on issue immediately prior to the buy-back.

(b) No adjustment to the Issue Date VWAP will occur if P exceeds A.

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## Preference Share Terms

### 8.9 Adjustment to Issue Date VWAP for return of capital

If CBA makes a pro rata return of capital to holders of CBA Ordinary Shares, the Issue Date VWAP will be adjusted in accordance with the following formula:

$$V = V_o \times \frac{(P - C)}{P}$$

where:

**V** means the Issue Date VWAP applying immediately after the application of this formula;

**V<sub>o</sub>** means the Issue Date VWAP applying immediately prior to the application of this formula;

**P** means the VWAP during the period from (and including) the first Business Day after the announcement of the return of capital to ASX up to and including the last Business Day of trading *cum* the return of capital (or if there is no period of *cum* return of capital trading, an amount reasonably determined by the Board as representing the value of CBA Ordinary Shares *cum* the return of capital); and

**C** means with respect to a return of capital, the amount of the cash and/or the value (as reasonably determined by the Board) of any other property distributed to holders of CBA Ordinary Shares per CBA Ordinary Share (or such lesser amount such that the difference between P and C is greater than zero).

### 8.10 Adjustment to Issue Date VWAP for capital reconstruction

If at any time CBA Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities (other than by way of a bonus issue, rights issue or other essentially pro rata issue which is to be treated under clause 8.7), the Board may if it considers it appropriate reconstruct the Issue Date VWAP in the same way as the exercise price of options over CBA Ordinary Shares would be in the same context, in accordance with the ASX Listing Rules (as they apply to CBA). Each Holder acknowledges that CBA may reconstruct, consolidate, divide or reclassify into a lesser or greater number of securities the CBA Ordinary Shares at any time in its absolute discretion without any such action constituting a variation of rights of Holders or otherwise requiring any consent or concurrence.

### 8.11 Board's sole discretion regarding adjustments to Issue Date VWAP

Despite the provisions of clauses 8.5 to 8.10 and 11.3, where:

- (a) the effect of any of the adjustment provisions set out in clauses 8.5 to 8.10 or clause 11.3 is not, in the reasonable opinion of the Board, appropriate in any particular circumstances (including because more than one adjustment provision applies);  
or
- (b) any other event occurs in relation to CBA that may have a dilutive or concentrative effect on the value of the CBA Ordinary Shares, and, in the reasonable opinion of the Board, such occurrence would affect the relative values of Preference Shares and CBA Ordinary Shares,

the Board may (subject to APRA's prior written approval):

- (c) make such alterations to the Face Value, Issue Date VWAP and the Maximum Conversion Number as it reasonably considers appropriate or necessary to maintain that relativity; or
- (d) extend an entitlement to the Holders to participate in such event based on the number of CBA Ordinary Shares to which those Holders would have been entitled if their Preference Shares had been Converted on a date nominated by the Board to maintain the relativity.

### 8.12 Announcement of adjustment to Issue Date VWAP

CBA will announce to ASX any adjustment to the Issue Date VWAP under this clause 8 or under clause 11.3 within 10 Business Days of CBA determining the adjustment and the adjustment set out in the announcement will be final and binding.

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## Preference Share Terms

### 9 Resale

#### 9.1 Resale Notice

- (a) CBA may only issue a Resale Notice if the Purchaser has undertaken, on such terms and subject to such conditions as CBA reasonably determines, for the benefit of each Holder to acquire each Preference Share (and any corresponding Note forming part of a Stapled Security) which CBA has elected to Resell from the Holder for Face Value on the Exchange Date.
- (b) If CBA issues a Resale Notice:
  - (1) each Holder is taken irrevocably to offer to sell the Preference Shares (and any corresponding Note forming part of a Stapled Security) which CBA has elected to Resell to the Purchaser on the Exchange Date for a cash amount equal to the Face Value; and
  - (2) on the Exchange Date, subject to payment by the Purchaser of the Face Value to the Holders, all right, title and interest in such Preference Shares (and any corresponding Note forming part of a Stapled Security) will be transferred to the Purchaser.

#### 9.2 Effect of failure by Purchaser to pay

If the Purchaser does not pay the Face Value to the Holders on the Exchange Date:

- (a) the Resale Notice or the Optional Exchange Notice (as the case may be) will be void and taken to have never been issued;
- (b) the Preference Shares (and any corresponding Note forming part of a Stapled Security) will not be transferred to the Purchaser;
- (c) in the case of a Resale Notice, Preference Shares will not Convert into CBA Ordinary Shares on that Exchange Date and the date for Conversion under clause 5.1:
  - (1) will be deemed not to have occurred on that Exchange Date; and
  - (2) will occur on the next Relevant Date on which it is otherwise determined to occur in accordance with clause 5.2;
- (d) the Holder will continue to hold Preference Shares (and any corresponding Note forming part of a Stapled Security) until otherwise Repurchased, Converted or Resold in accordance with these Preference Share Terms; and
- (e) CBA may, subject to APRA's prior written approval and without prejudice to any other rights CBA under these terms of issue, elect to Exchange all (but not some) Preference Shares on a date no later than 45 Business Days after the Exchange Date (the **Deferred Exchange Date**) by giving another Resale Notice in accordance with clause 5.5(a) or another Optional Exchange Notice in accordance with clause 6.3(a) (as the case may be) at least 25 Business Days prior to the Deferred Exchange Date. In these circumstances, the Exchange Date for the purposes of clauses 5.5(a) and 6.2(b) will be the Deferred Exchange Date.

#### 9.3 Terms after Resale

- (a) If Preference Shares (and any corresponding Note forming part of a Stapled Security) are Resold in accordance with these terms of issue, unless otherwise agreed between CBA and the relevant Purchasers, these terms of issue will apply in all respects to the Preference Shares held by the Purchasers on and from the Resale taking effect in accordance with these terms of issue.
- (b) Notwithstanding any other provision of these terms of issue but subject to clause 16(c), after the Preference Shares have been Resold, any provision of these terms of issue as it relates to the Preference Shares held by a Purchaser (the **Consenting Purchaser**) may be amended by agreement between the Consenting Purchaser and CBA without the consent of any other Holder.
- (c) For the purposes of any amendment pursuant to clause 9.3(b), Preference Shares held by:
  - (1) the Consenting Purchaser; and

# Appendix A

## Preference Share Terms

(2) Preference Shares held by any other person,

shall be treated as though they were separate classes of shares, so that without limitation where there is more than one Purchaser or Preference Shares are held by more than one person:

(3) subject to clause 16(c), amendments may be made to the Preference Shares held by a Purchaser; and

(4) the Preference Shares held by a Purchaser can be Repurchased or Converted,

in each case without the consent of or consideration of the interests of any Holders other than that Purchaser and without any corresponding amendment, Repurchase or Conversion (as the case may be) to the Preference Shares held by other person.

### 10 Repurchase of Preference Shares

#### 10.1 Repurchase generally

If CBA has elected to Repurchase Preference Shares pursuant to clause 5.6, clause 6.3(a)(2) or clause 7.2, on the Exchange Date:

- (a) CBA will Repurchase each Preference Share specified for Repurchase in the Repurchase Notice, the Optional Exchange Notice or the Acquisition Exchange Notice (as the case may be) and will pay to the Holder an amount equal to the Face Value of that Preference Share plus, if applicable, any additional amount referred to in clause 10.1(b); and
- (b) all other rights conferred or restrictions imposed under these terms of issue on each Preference Share that is Repurchased will no longer have effect except for rights relating to a Dividend which has been declared, but has not been paid, on or before the Exchange Date, which will continue. If, despite this provision, any Dividend which (in accordance with clause 4 including clause 4.2) has become due and payable on or before the Exchange Date, will no longer be payable as a result of the formation of a buy-back agreement in relation to the Preference Shares, the amount of such Dividend (**additional amount**) shall be payable as an additional part of the consideration payable for the repurchase of the Preference Shares.

#### 10.2 Irrevocable offer to sell

For the purpose of the Repurchase of Preference Shares by CBA under these terms of issue:

- (a) each Holder is taken irrevocably to offer to sell some or all of the Preference Shares held by them on the relevant Exchange Date as specified in a Repurchase Notice, Optional Exchange Notice or Acquisition Exchange Notice (as the case may be), on the relevant Exchange Date on the terms set out in Schedule 1;
- (b) CBA may accept this offer by giving a notice to the Holder. CBA or an Appointed Person may receive CBA's acceptance of the Holder's offer (which will be announced by CBA to ASX) and execute the share buy-back agreement on behalf of the Holder;
- (c) if the Repurchase involves a reduction of capital or buy-back with respect to Preference Shares, each Holder must vote in favour (to the extent the Holder is entitled to do so) or otherwise abstain from any required resolution;
- (d) if the Repurchase involves a cancellation of the Preference Shares, CBA must obtain all consents (if any) to the cancellation of Preference Shares which are required to be obtained from CBA's shareholders or any regulatory authority under and in the manner required by any applicable law or by the ASX Listing Rules (subject, in each case, to any modifications or waivers of such laws or listing rules); and
- (e) any offer (or similar document) from CBA is deemed to be accompanied by any other document or information (which may be published on CBA's website at [www.commbank.com.au](http://www.commbank.com.au)) which is incorporated by reference in the offer (or similar document).

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## Preference Share Terms

### 11 NOHC Events

#### 11.1 Notice of Upstream NOHC Event

If an Upstream NOHC Event occurs, CBA must give a notice to ASX within five Business Days.

#### 11.2 Change of conversion from CBA Ordinary Shares to NOHC Ordinary Shares

- (a) If an Upstream NOHC Event occurs and CBA has not elected to Exchange the Preference Shares in accordance with clause 6.1, CBA may give an Upstream NOHC Event Notice to Holders no later than five Business Days after the holding of the meeting of holders of CBA Ordinary Shares referred to in the definition of “Upstream NOHC Event”.
- (b) CBA may only give an Upstream NOHC Event Notice if:
- (1) NOHC agrees for the benefit of Holders to deliver its ordinary shares under all circumstances when CBA would have otherwise been obliged to deliver CBA Ordinary Shares on an Exchange Date, subject to the same terms and conditions as set out in these Preference Share Terms as amended by this clause 11;
  - (2) NOHC agrees for the benefit of Holders to comply with clause 4.10 (as amended by clause 11.4) of these Preference Share Terms; and
  - (3) NOHC Ordinary Shares are listed on ASX and NOHC agrees for the benefit of Holders to use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of all NOHC Ordinary Shares issued under clause 8 (as amended by clause 11.4) on the securities exchanges on which the other NOHC Ordinary Shares are quoted on the relevant Exchange Date.

#### 11.3 Adjustment to Issue Date VWAP after Upstream NOHC Event Notice

If CBA gives an Upstream NOHC Event Notice to Holders in accordance with clause 11.2, with effect from the NOHC Transaction Date, the Issue Date VWAP on the NOHC Transaction Date will be:

$$V = V_o \times (PA/PB)$$

where:

**V** means the Issue Date VWAP applying immediately after the application of this formula;

**V<sub>o</sub>** means the Issue Date VWAP applying immediately before the application of this formula;

**PA** means the VWAP of the NOHC Ordinary Shares on the first five Business Days on which NOHC Ordinary Shares trade after the NOHC Transaction Date (or such other period as the Directors determine);

**PB** means the VWAP of the CBA Ordinary Shares during the last five Business Days on which CBA Ordinary Shares trade immediately prior to the NOHC Transaction Date (or such other period as the Board determines),

unless the Board determines a different adjustment to Issue Date VWAP under clause 8.11 and this Issue Date VWAP will remain subject to adjustment in accordance with clauses 8.5, 8.6, 8.7, 8.8, 8.9, 8.10 and 8.11 (as amended by this clause 11).

#### 11.4 Terms of Issue applying after issue of an Upstream NOHC Event Notice

If CBA gives an Upstream NOHC Event Notice to Holders in accordance with clause 11.2, with effect from the NOHC Transaction Date, these Preference Share Terms will apply as if:

- (a) a reference to “CBA Ordinary Shares” is a reference to “NOHC Ordinary Shares” other than in clauses 11, 13.3 and 13.5, and the definitions of Issue Date VWAP and Distributable Profits and in the definition of VWAP for the purposes of clause 11.3 only; and
- (b) a reference to “CBA” is a reference to “NOHC” in clauses 8.6 to 8.11 (inclusive) and in the definition of Acquisition Event;
- (c) the definition of Conversion is “**Conversion** means the Repurchase or Resale of the Preference Shares and the issue of NOHC Ordinary Shares in accordance with clause 8.1 (as amended by clause 11.4) and **Convert** and **Converted** have a corresponding meaning”;

# Appendix A

## Preference Share Terms

(d) the following definition is added:

“**NOHC Group**” means NOHC and any of its controlled entities;

(e) a reference to “CBA Group” in the definition of Regulatory Event and Tax Event is a reference to “NOHC Group”;

(f) clause 4.10 is amended by adding the following after the words “or Preference Shares”:

“and NOHC must not pay any interest, declare or pay any dividends or distributions, return any capital or undertake any buy-backs, redemptions or repurchases in relation to any NOHC Ordinary Shares”;

(g) clause 4.11 is amended as follows:

(1) clause 4.11(a) is amended to read as follows:

“pro-rata payments on Preference Shares, Existing Capital Securities and securities of CBA that rank or are expressed to rank for interest payments, dividends or distributions equally with the Preference Shares or Notes (or if the Notes are no longer on issue or have become obligations of a Substituted Issuer, would have ranked for interest payments, dividends or distributions equally with them whilst owned by CBA) and on NOHC Ordinary Shares”;

(2) references in clauses 4.11(b) to (f) to “CBA” will be references to “CBA or NOHC”;

(h) clause 8.1 is amended to read as follows:

“Subject to this clause 8, if CBA elects or is required to Convert Preference Shares into NOHC Ordinary Shares, each Preference Share being Converted will on the relevant Exchange Date at the election of CBA be either:

(1) Repurchased by CBA, and the Face Value will be applied towards subscription for; or

(2) acquired by the NOHC in consideration for the issue by the NOHC of,

the number of new NOHC Ordinary Shares calculated in accordance with the following formula (but subject to the CN being no more than the Maximum Conversion Number):

$$CN = \frac{\text{Face Value}}{\text{VWAP} \times (1 - \text{DF})}$$

where:

**CN** means a number of NOHC Ordinary Shares which is equal to or greater than zero;

**DF** is the discount factor and is 0.01; and

**VWAP** means VWAP during the Reference Period.

Each Holder agrees to become a member of NOHC on Conversion of their Preference Shares.

(i) clause 8.2 did not apply,

provided that if CBA reasonably considers that some other adjustment is appropriate (including in terms of how references in the Preference Share Terms are to be understood following the NOHC Transaction Date) then CBA may give notice to the Holders of the adjustment and the adjustment shall take effect accordingly unless the adjustment is, or is likely to become, materially prejudicial to holders of Stapled Securities.

### 11.5 NOHC scheme

The Holders acknowledge that a scheme of arrangement under Part 5.1 of the *Corporations Act* may be proposed which, if approved by the requisite majority of Holders, may result in each Holder holding preference shares issued by a NOHC rather than the Preference Shares. This does not limit any other scheme of arrangement or other similar proposal that may be put to Holders.

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## Preference Share Terms

### 12 Exchange provisions

#### 12.1 Power of attorney and agency appointment

Each Holder irrevocably:

- (a) appoints CBA, each of its Authorised Officers and any liquidator, administrator or statutory manager of CBA (each an **Appointed Person**) severally to be the attorney of the Holder and the agent of the Holder with power in the name and on behalf of the Holder to do all such acts and things including signing all documents or transfers as may in the opinion of the Appointed Person be necessary or desirable to be done in order to effect, record or perfect the transfer, Conversion, Repurchase or Resale (or transactions contemplated by the Conversion, Repurchase or Resale) of the Preference Shares held by the Holder when required or permitted in accordance with these Preference Share Terms (including but not limited to acting as agent of each Holder to receive acceptance by CBA of the irrevocable offer of each Holder under clause 10.2(a) and to enter into the Promissory Note and to receive that Promissory Note under clause 8.2); and
- (b) authorises and directs CBA to make such entries in the Register, including amendments and additions to the Register, which CBA considers necessary or desirable to record the transfer, Repurchase or Resale of the Preference Shares in accordance with these Preference Share Terms and to record that on that transfer, Repurchase or Resale the holder of the Preference Share ceases to be registered as the holder of Preference Shares.

The power of attorney and agency appointment given in clause 12.1 is given for value consideration and to secure the performance by the Holder of the Holder's obligations under these terms of issue and is irrevocable.

#### 12.2 Further assurances

If CBA decides to Exchange Preference Shares in accordance with these terms of issue, the Holder must:

- (a) provide all documentation and execute any authorisation or power necessary; and
- (b) take all other action necessary or desirable,  
to effect the Exchange.

### 13 Entitlement and ranking

#### 13.1 Ranking

- (a) Preference Shares rank equally amongst themselves in all respects.
- (b) The issue of any other preference shares in the capital of CBA which rank in priority to the Preference Shares in respect of dividends or return of share capital on a winding-up constitutes an alteration of the rights attached to the Preference Shares.
- (c) CBA may issue further preference shares in the share capital of CBA which rank equally with or behind existing Preference Shares, whether in respect of payment of dividends, return of share capital on a winding-up of CBA or otherwise. Such an issue does not constitute a variation or cancellation of the rights attached to the Preference Shares and does not require the approval of Holders.

#### 13.2 Further issues

CBA may issue Preference Shares at any time in accordance with the Preference Share Terms.

#### 13.3 Preferential dividend

The Preference Shares rank in respect of payment of dividends:

- (a) senior to CBA Ordinary Shares;
- (b) equally among themselves and with other CBA preference shares (subject to the terms thereof); and
- (c) junior to CBA's liabilities to depositors and other creditors, other than Existing Capital Securities and liabilities that rank, or are expressed to rank, equally with or junior to the Preference Shares in respect of the payment of dividends.



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## Preference Share Terms

### 13.4 No set off

- (a) Any amount due to a Holder in respect of the Preference Shares may not be set off against any claims by CBA against the Holder.
- (b) Any amount due to CBA in respect of the Preference Shares may not be set off against any claims by a Holder against CBA.

### 13.5 Return of share capital

If there is a return of capital on a winding-up of CBA, Holders will:

- (a) be entitled to receive out of the assets of CBA available for distribution to holders of shares in the capital of CBA in respect of each Preference Share held, a cash sum of the amount equal to the sum of the amount of any Dividend due but unpaid and the Face Value, before any return of capital is made to holders of CBA Ordinary Shares or any other class of shares or Capital Securities ranking behind Preference Shares; and
- (b) rank in respect of a return of capital on a winding-up of CBA junior to CBA's liabilities to depositors and other creditors, other than Existing Capital Securities and liabilities that rank, or are expressed to rank, equally with or junior to the Preference Shares in respect of a return of capital on a winding-up of CBA.

### 13.6 Shortfall on winding-up

If, upon a return of share capital on a winding-up of CBA, there are insufficient funds to pay the full amounts referred to in clause 13.5, and the amounts payable in respect of any other shares, securities or other instruments in CBA ranking as to such distribution equally with the Preference Shares on a winding-up of CBA, Holders and the holders of any such other shares, securities or other instruments will share in any distribution of assets of CBA in proportion to the amounts to which they respectively are entitled.

### 13.7 No participation in surplus assets

The Preference Shares do not confer on the Holders any further right to participate in the surplus assets of CBA on a winding-up of CBA.

### 13.8 Restrictions on other issues

CBA may, without approval of a Special Resolution of Holders, issue shares in the share capital of CBA (including further Preference Shares) ranking junior to, equally with or (to the extent permitted by the Constitution) senior to, the Preference Shares, and any such issue is expressly permitted and authorised by these terms of issue, and does not constitute a modification or variation of the rights or privileges to the Preference Shares then on issue.

### 13.9 Participation in new issues

The Preference Shares confer no rights to subscribe for new securities of CBA or to participate in any bonus issues of securities of CBA.

### 13.10 No other rights

Preference Shares do not confer on the Holders any right to participate in profits or property except as set out in these terms of issue.

### 13.11 Deposit liabilities

The Preference Shares are not deposit liabilities of CBA and are not subject to any depositor protection provisions under applicable Australian law.

### 13.12 Foreign Holders

Unless CBA is satisfied that the laws of a Foreign Holder's country of residence (as shown in the Register) permit the issue of CBA Ordinary Shares or NOHC Ordinary Shares (as appropriate) to the Foreign Holder, either unconditionally or after compliance with conditions, which CBA in its sole discretion regards as acceptable and not unduly onerous, the CBA Ordinary Shares (or NOHC Ordinary Shares) to which a Foreign Holder shall become entitled will be issued to a nominee who will sell those shares

## Appendix A

# Preference Share Terms

and pay the proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to that Foreign Holder.

## 14 Voting and other rights

### 14.1 Entitlement to receive notices of meetings

Holders will be entitled to the same rights as holders of CBA Ordinary Shares in relation to receiving notices, reports and financial statements and attending and being heard at all general meetings of CBA.

### 14.2 No right to vote except in specific circumstances

(a) Holders will have the right to vote in the following circumstances:

- (1) during a period during which a Dividend (or part of a Dividend) in respect of the Preference Shares is in arrears;
- (2) on a proposal to reduce CBA's share capital;
- (3) on a proposal that affects rights attached to Preference Shares;
- (4) on a resolution to approve the terms of a buy-back agreement;
- (5) on a proposal to wind up CBA;
- (6) on a proposal for the disposal of the whole of CBA's property, business and undertaking; and
- (7) during the winding-up of CBA.

(b) At a general meeting of CBA, Holders shall be entitled:

- (1) on a show of hands, to exercise one vote when entitled to vote under any circumstances set out in clause 14.2(a) above; and
- (2) on a poll, to exercise one vote for each Preference Share held by them when entitled to vote under any circumstances set out in clause 14.2(a).

### 14.3 No right to apply for the winding-up of CBA

Each Holder acknowledges and agrees that a Holder has no right to apply for CBA to be wound up, or placed in administration, or to cause a receiver, or a receiver and manager, to be appointed in respect of CBA on the grounds that CBA fails to make, or is or may become unable to make, a Dividend payment in respect of Preference Shares.

### 14.4 No events of default

Each Holder acknowledges and agrees that these terms of issue contain no events of default. Accordingly (but without limitation) failure to pay in full, for any reason, a Dividend on the scheduled Dividend Payment Date will not constitute an event of default.

## 15 Listing

CBA must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation on each Exchange Date of all CBA Ordinary Shares issued under clause 8 on the securities exchanges on which the other CBA Ordinary Shares are quoted on that Exchange Date.

## 16 Amendments to these terms of issue

(a) Subject to complying with all applicable laws, and clauses 16(b) and 16(c), the Holders of the Preference Shares may, with the agreement of the Board, by Special Resolution amend these terms of issue.

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## Preference Share Terms

- (b) Subject to complying with all applicable laws and with the prior written approval of APRA, CBA may, with the agreement of the Board but without the authority, assent or approval of Holders, by notice to Holders amend or add to these terms of issue where the amendment or addition is, in the opinion of CBA:
- (1) made to correct a manifest error;
  - (2) of a formal, minor or technical nature;
  - (3) made to comply with any law, the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which CBA proposes from time to time to seek quotation of the Preference Shares;
  - (4) convenient for the purpose of obtaining or maintaining the listing or quotation of the Preference Shares; or
  - (5) is not, and is not likely to become, materially prejudicial to Holders generally.
- (c) CBA must not, without the prior written approval of APRA, amend these terms of issue if the amendment may affect the eligibility of Preference Shares to continue to qualify as Non-Innovative Residual Tier 1 Capital.

### 17 Taxation arrangements

- (a) Subject to clause 17(b), each Holder agrees that, if the Commissioner makes a determination under section 177EA(5)(b) of the Tax Act in respect of any Dividend or Optional Dividend in respect of one or more Holders:
- (1) it will be bound, and will treat itself as bound, by the outcome of any administrative or judicial proceedings between CBA (and/or its nominee) and the Commissioner in respect of the determination;
  - (2) it will not seek:
    - (A) an amended assessment of its taxation position in respect of the availability of the benefit of franking credits on any Dividends or Optional Dividends; or
    - (B) a determination from the Commissioner under section 177EA(5)(b) of the Tax Act in respect of any Dividend or Optional Dividend; and
  - (3) if CBA is required under any arrangement with the Commissioner to make a payment to the Commissioner in respect of any tax liability in relation to any Dividend or Optional Dividend received, or expected to be received, by that Holder, it directs CBA to pay that amount to the Commissioner.
- (b) A Holder may elect by written notice to CBA not to be bound by the agreement in clause 17(a).
- (c) If:
- (1) a Holder makes an election in accordance with clause 17(b);
  - (2) does not comply with the agreement in clauses 17(a)(1) or (2); or
  - (3) does anything having a substantially similar effect to clause 17(c)(1) or (2),
- such Holder will be taken to have acknowledged and agreed that clause 4.2(b) will apply to that Holder.

### 18 Governing law

These terms of issue are governed by the laws of New South Wales.

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## Preference Share Terms

### Schedule 1 – Buy-back terms

#### 1 Agreement

##### 18.1 Effective date

These are the terms of the buy-back agreement which will come into existence between CBA and Holders in the event CBA elects to accept the irrevocable offer to sell, referred to in clause 10.2(a) of the Terms. The agreement will come into force and effect when the last of the following events occurs, in each case after a Repurchase Notice, Optional Exchange Notice or Acquisition Exchange Notice (as the case may be) (**Exchange Notice**) is given:

- (a) CBA gives a notice under clause 10.2(a) of the Terms; and
- (b) CBA obtains all consents (if any) to the Buy-Back which are required to be obtained from CBA's shareholders or any regulatory authority or other person in accordance with any applicable law or by the ASX Listing Rules (subject, in each case, to any modifications or waivers of such laws or listing rules); and
- (c) the Record Date for the final Dividend to be paid on the Preference Shares identified in the Exchange Notice.

##### 18.2 Effect of Agreement

The terms and conditions set out in this agreement are of no force and effect unless and until the agreement has become effective under clause 1.1.

#### 2 Buy-Back

Each Holder agrees to sell the Buy-Back Shares to the Buyer on the terms set out in this agreement.

#### 3 Buy-Back Price

The Buyer will pay the Buy-Back Price to each Holder for each Buy-Back Share bought back under this agreement.

#### 4 Completion

##### 18.3 Completion timing

Completion of the Buy-Back will take place on the Exchange Date.

##### 18.4 Completion obligations

On the Exchange Date:

- (a) the Buyer will pay the Buy-Back Price for each Buy-Back Share to the relevant Holder;
- (b) each Holder (by itself or through its agent or attorney) will deliver to the Buyer a duly executed transfer of the Buy-Back Shares.

##### 18.5 Further assurance

The Buyer and the Holders will do all things necessary or desirable to give full effect to the provisions of this agreement and the transactions contemplated by it.

#### 5 Definitions and interpretation

##### 18.6 Interpretation

In this agreement:

- (a) unless the context otherwise requires, all words and expressions used in this agreement which are defined in the Terms have the same meaning in this agreement;
- (b) unless otherwise specified, a reference to a clause is a reference to a clause of this agreement;

# Appendix A

## Preference Share Terms

- (c) headings are for convenience only and do not affect the interpretation of this agreement;
- (d) the singular includes the plural and vice versa;
- (e) if an event under this agreement must occur on a stipulated day which is not a Business Day then the event will be done on the next Business Day;
- (f) a reference to a statute, ordinance, code or other law or to the listing rules includes regulations and other instruments under it and consolidations, amendments, re-enactments, or replacements of any of them;
- (g) a reference to “\$” or “¢” is a reference to the lawful currency of Australia;
- (h) calculations, elections and determinations made by CBA under this agreement are binding on each Holder in the absence of manifest error.

### 18.7 Definitions

The following words have these meanings in this agreement unless the contrary intention appears:

**CBA** means Commonwealth Bank of Australia ABN 48 123 123 124.

**Buy-Back** means, in relation to the Preference Shares, the purchase of the Preference Shares from the Holder pursuant to this agreement.

**Buy-Back Price** means, in respect of each Buy-Back Share, an amount equal to the Face Value of each Buy-Back Share (plus, if applicable, any additional amount referred to in clause 10.1(b) of the Terms).

**Buy-Back Shares** means the number or proportion of the Preference Shares held by the Preference Shareholder on the Exchange Date as specified for Buy-Back in the Exchange Notice.

**Buyer** means CBA.

**Exchange Date** means the date on which the Buy-Back will occur, being the date specified in the Exchange Notice as the date for completion of the Buy-Back, determined in accordance with the Terms.

**Exchange Notice** has the meaning given in clause 1.1 of this agreement.

**Face Value** means \$200 per Preference Share.

**Holder** means each Holder as at the date that this agreement comes into force and effect.

**Preference Share** has the meaning given in clause 1.1 of the Terms.

**Terms** means the terms of issue of the Preference Shares.

## Schedule 2 – Terms of Promissory Note

### Recitals

- (a) The Holder has agreed to issue and deliver this Note to CBA pursuant to clause 8.2 of the Preference Share Terms.
- (b) Upon and against such issue and delivery of the Note to CBA, CBA has agreed to issue a number of CBA Ordinary Shares calculated under clause 8.1 of the Preference Share Terms to the Holder (**Issued CBA Ordinary Shares**).
- (c) CBA will redeem the Preference Shares to be Converted under clause 8.1 of the Preference Share Terms (**Redeemed Preference Shares**) out of the proceeds of issue of the Issued CBA Ordinary Shares by the transfer by CBA to the Holder of this Note and the cancellation of the Holder's obligations hereunder.
- (d) The Promissory Note will be taken to be delivered to the Holder and will be held by CBA on the Holder's behalf under clause 12.1(a) of the Preference Share Terms when the Preference Share is redeemed. Thereupon the cancellation of the Promissory Note will be effected on the Holder's behalf under clause 12.1(a) of the Preference Share Terms.

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## Preference Share Terms

### Terms

- (a) The Holder agrees to pay to the bearer on demand made at any time following the issue of the Issued CBA Ordinary Shares an amount equal to the Share Amount on condition and for the sole purpose of this Note and its proceeds being applied in redemption of the Redeemed Preference Shares.
- (b) The initial holder of this Note is CBA. This Note shall be assigned by CBA (and is transferable by delivery) to the Holder in accordance with clause 8.2(d) of the Preference Share Terms. Upon the Note being taken to be delivered to the Holder in accordance with the Preference Share Terms this Note will be cancelled and the Holder will have no obligations hereunder.
- (c) If any amount paid or payable by CBA to the Holder upon redemption of the Redeemed Preference Shares is found to be void or voidable or unenforceable under any insolvency law or law relating to creditors generally, including without limitation, found to be an unfair preference, the Holder will be released from this Note and will have no obligations to CBA under this Note.
- (d) If for any reason the Issued CBA Ordinary Shares are not issued to the Holder or the Redeemed Preference Shares are not redeemed, no amount is payable on this Note.

### General

- (a) Except as otherwise defined in this Note, terms defined in the Preference Share Terms have the same meaning when used in this Note and:

**Issue Date** means the date of issue of this Note.

**Note** means this note.

**Preference Share Terms** means the terms of issue of the Preference Shares.

**Share Amount** means the amount calculated in accordance with the formula in clause 8.2(a) of the Preference Share Terms.

- (b) Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.
- (c) The singular includes the plural and the converse.
- (d) This Note is governed by the laws of New South Wales. The Holder submits to the non-exclusive jurisdiction of courts exercising jurisdiction there.

**Signed** for and on behalf of the Holder  
by its attorney appointed under clause 12  
of the Preference Share Terms

---

Date:

# Appendix B

## Note Terms

# Appendix B

## Note Terms

The Notes will be debt obligations of CBA under the deed poll entitled “PERLS V Note Deed Poll” (**Note Deed Poll**) executed by CBA and will take the form of entries in a register (**Register**).

Each Holder of a Note is deemed to have notice of, and to be bound by, all the provisions contained in the Note Deed Poll (including these Note Terms).

### 1 Definitions and interpretation

#### 1.1 Definitions

In these Note Terms, unless the context otherwise requires:

**ADI** means CBA or, following the occurrence of a Downstream NOHC Event, the “authorised deposit taking institution” (as defined in the Banking Act) which succeeds to the banking business of CBA as a result of the Downstream NOHC Event.

**Appointed Person** has the meaning given to that term in the Preference Share Terms.

**APRA** means the Australian Prudential Regulation Authority.

**APRA Event** means:

- (a) APRA determines that the ADI has a Tier 1 Capital Ratio of less than 5% (or such other percentage as may be required from time to time by APRA) or a Risk Based Capital Ratio of less than 8% (or such other percentage as may be required from time to time by APRA);
- (b) APRA issues a written directive to the ADI under applicable banking regulations, legislation or guidelines for the ADI to increase its capital;
- (c) APRA appoints a statutory manager to the ADI or commences proceedings for the winding-up of the ADI; or
- (d) the retained earnings of the ADI fall below zero.

**APRA Guidelines** means guidelines, policy statements and practice notes or other equivalent statements of APRA which are applicable to the ADI.

**Assignee** has the meaning given in clause 5.3(a).

**Assignment Event** has the meaning given in clause 5.1.

**Assignment Event Date** means the date on which CBA gives an Assignment Event Notice.

**Assignment Event Notice** means a notice given by CBA in accordance with clause 5.2(b).

**Assignment Prevention Optional Dividend** means a dividend paid by CBA on the Preference Shares prior to an Assignment Event Date in an amount equal to the amount of interest unpaid to Holders in the immediately preceding Interest Period which may only be paid with the prior written approval of APRA.

**ASTC** means ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).

**ASTC Settlement Rules** means the settlement rules of ASTC from time to time.

**ASX** means ASX Limited and any successor operator of the stock exchange operated by it.

**ASX Listing Rules** means the listing rules of ASX and any other applicable rules of ASX, each as amended or replaced from time to time, except to the extent of any written waiver granted by ASX.

**Authorised Officer** means each director and secretary of CBA and any person delegated on the authority of the board of directors of CBA to exercise the power of attorney and agency appointment conferred by clause 14.1.

**Bank Bill Swap Rate** means the average mid-rate for bills of a term of 90 days (expressed as a percentage per annum) which average rate is displayed on the page of Reuters Monitor System designated “BBSW” (or any page which replaces that page) at 10.30am (Sydney Time) on the relevant date, or if there is a manifest error in the calculation of that average rate or that average



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rate is not displayed by 10.30am (Sydney Time) on that date or, in the case of the Issue Date, if the period from the Issue Date to but excluding the first scheduled Interest Payment Date is not equal to 90 days, the rate specified in good faith by CBA at or around that time on that date having regard, to the extent possible, to comparable rates and indices then available.

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

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

**Business Day** has the meaning given to that term in the ASX Listing Rules.

**Capital Security** means any equity, hybrid or subordinated debt security.

**CBA** means Commonwealth Bank of Australia ABN 48 123 123 124, including foreign branches of Commonwealth Bank of Australia.

**CBA Group** means CBA and its controlled entities.

**CBA Group Entity** means any entity in the CBA Group.

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

**CBA Stopper Resolution** means a resolution of the Board not to pay in full any Interest on any Interest Payment Date.

**Commissioner** has the meaning given to it in the Preference Share Terms.

**Constitution** means the constitution of CBA.

**Convert** or **Converted** have the meaning given to those terms in the Preference Share Terms.

**Current Branch** means CBA's New Zealand branch or the branch of CBA through which CBA elects to act in respect of the Notes under clause 9.

**Default Event** means:

- (a) CBA ceases or suspends the conduct of all of its business;
- (b) a proceeding is commenced by CBA or a person that controls CBA for an order that CBA be dissolved, wound up or liquidated or for the appointment of a provisional liquidator, liquidator, receiver, receiver and manager, administrator, controller or similar official in respect of CBA or all or substantially all of its property;
- (c) a proceeding for an order of a kind described in paragraph (b) is commenced by any other person for an order that CBA be dissolved, wound up or liquidated and is not dismissed within 30 Business Days of filing; or
- (d) a provisional liquidator, liquidator, receiver, receiver and manager, administrator, controller or similar official is appointed in respect of CBA or all or substantially all of its property and such appointment is not revoked or set aside within 30 Business Days of such appointment.

**Distributable Profits** means, in relation to an Interest Payment Date, the lesser of Level 1 Distributable Profits and Level 2 Distributable Profits (or any other amount determined by APRA to be appropriate in CBA's circumstances for the purposes of CBA's Tier 1 Capital obligations).

**Downstream NOHC Event** has the meaning given to that term in the Preference Share Terms.

**Encumbrance** means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security arrangement and any other arrangement of any kind having the same effect as any of the foregoing other than liens arising by operation of law.

**Exchange Date** has the meaning given to that term in the Preference Share Terms.

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**Exchanged** has the meaning given to that term in the Preference Share Terms.

**Existing Capital Securities** means each of the:

- (a) PERLS III Securities;
- (b) PERLS IV Securities;
- (c) Trust Preferred Funding Securities; and
- (d) Trust Preferred Funding Securities II.

**Extended Licensed Entity** means the ADI and any subsidiary of the ADI that APRA has deemed to be part of the ADI itself for the purposes of measuring the ADI's exposures to related entities, pursuant to APS 110 as specified in the APRA Guidelines.

**Extraordinary Resolution** means a resolution passed at a meeting of Holders in accordance with the provisions of Schedule 1 of these Note Terms and carried by a majority of not less than three quarters of the persons voting on a show of hands or three quarters of the votes cast on a poll or a resolution passed in accordance with clause 22 of Schedule 1.

**Face Value** means the principal amount of a Note on its Issue Date, being A\$200.

**Government Agency** means a government or a governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world.

**Holder** means a person whose name is for the time being registered in the Register as the holder of a Note or Stapled Security.

**Insufficient Distributable Profits Circumstance** means that, in relation to an Interest Payment Date, the Interest payable on that Interest Payment Date on the Notes exceeds Distributable Profits.

**Interest** has the meaning given in clause 4.1.

**Interest Payment** means each of:

- (a) a payment of Interest in the amount determined in accordance with clause 4.1 (disregarding clause 4.4); and
- (b) Redemption Interest.

**Interest Payment Date** means:

- (a) 31 January, 30 April, 31 July and 31 October in each year; and
- (b) an Exchange Date,

provided that the first scheduled Interest Payment Date will be 1 February 2010.

**Interest Period** means in respect of a Note:

- (a) for the first Interest Period, the period from (and including) the Issue Date to (and excluding) the next Interest Payment Date; and
- (b) in all other circumstances, the period from (and including) the preceding Interest Payment Date to (and excluding) the next occurring Interest Payment Date.

**Interest Rate** means the percentage per annum calculated in accordance with the following formula:

$$(\text{Market Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$$

**Issue Date** means the date on which a Note is issued under these Note Terms.

**Level 1 Distributable Profits** means, in relation to an Interest Payment Date, an amount calculated in accordance with the following formula:

$$\text{Level 1 Distributable Profits} = A - B$$

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## Note Terms

where:

**A** is the aggregate of the consolidated net profits after income tax of CBA, its subsidiaries and other entities whose financial results are required by APRA to be consolidated with CBA on a Level 1 basis for the immediately preceding two six-monthly financial periods for which results have been publicly announced; and

**B** is the aggregate amount of dividends, distributions or other amounts paid, decided to be paid or liable to be paid by CBA, any of its subsidiaries and other entities whose financial results are required by APRA to be consolidated with CBA on a Level 1 basis on:

- (1) Preference Shares or Stapled Securities in the 12 months to and including the Interest Payment Date;
- (2) any other Tier 1 qualifying Capital Security of CBA or any of its subsidiaries or any other entities whose financial results are required by APRA to be consolidated with CBA on a Level 1 basis to the extent dividends or distributions on those securities are funded by CBA or by instruments of CBA in the 12 months to and including the Interest Payment Date; and
- (3) any other share capital of CBA (including CBA Ordinary Shares) in relation to the immediately preceding two six-monthly periods for which results have been publicly announced,

but excluding:

- (4) distributions payable in relation to the Preference Shares or Stapled Securities on the Interest Payment Date;
- (5) any such dividend, distribution or other amount to which CBA, any of its subsidiaries or any other entities whose financial results are required by APRA to be consolidated with CBA on a Level 1 basis was or is beneficially entitled; and
- (6) any such dividend, distribution or other amount which is included in the calculation of consolidated net profit after tax within the meaning of A.

**Level 2 Distributable Profits** means, in relation to an Interest Payment Date, an amount calculated in accordance with the following formula:

$$\text{Level 2 Distributable Profits} = A - B$$

where:

**A** is the aggregate of the consolidated net profits after income tax of CBA, its subsidiaries and other entities whose financial results are required by APRA to be consolidated with CBA on a Level 2 basis for the immediately preceding two six-monthly financial periods for which results have been publicly announced; and

**B** is the aggregate amount of dividends, distributions or other amounts paid, decided to be paid or liable to be paid by CBA, any of its subsidiaries and other entities whose financial results are required by APRA to be consolidated with CBA on a Level 2 basis on:

- (1) Preference Shares or Stapled Securities in the 12 months to and including the Interest Payment Date;
- (2) any other Tier 1 qualifying Capital Security of CBA or any of its subsidiaries or any other entities whose financial results are required by APRA to be consolidated with CBA on a Level 2 basis to the extent dividends or distributions on those securities are funded by CBA or by instruments of CBA in the 12 months to and including the Interest Payment Date; and
- (3) any other share capital of CBA (including CBA Ordinary Shares) in relation to the immediately preceding two six-monthly periods for which results have been publicly announced,

but excluding:

- (4) distributions payable in relation to the Preference Shares or Stapled Securities on the Interest Payment Date;
- (5) any such dividend, distribution or other amount to which CBA, any of its subsidiaries or any other entities whose financial results are required by APRA to be consolidated with CBA on a Level 2 basis was or is beneficially entitled; and

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## Note Terms

(6) any such dividend, distribution or other amount which is included in the calculation of consolidated net profit after tax within the meaning of A.

**Level 1, Level 2 and Level 3** have the meaning determined in accordance with APRA Guidelines.

**Margin** means 3.40% per annum.

**Marketable Parcel** has the meaning given to it in the ASX Market Rules.

**Market Rate** means, for each Interest Period, the Bank Bill Swap Rate on the first Business Day of that Interest Period.

**Market Transfer** means a transfer (within the meaning of the Corporations Act) that:

- (a) according to the ASTC Settlement Rules, is a proper ASTC transfer; or
- (b) is a valid transfer under a computerised or electronic system established or recognised by the Corporations Act, ASX Listing Rules or ASTC Settlement Rules for the purpose of facilitating dealings in securities.

**Maturity Date** means, if CBA has given an Assignment Event Notice, the date that is 40 years after the Issue Date.

**Meeting** means a meeting of Holders convened in accordance with these Note Terms.

**Non-Innovative Tier 1 Capital** means at any time any equity, debt or other Capital Security so described by APRA (or any equivalent successor term).

**Note** means a subordinated, unsecured note issued under the Note Deed Poll (including these Note Terms).

**Note Deed Poll** means the deed poll entitled "PERLS V Note Deed Poll" given by CBA, acting through its New Zealand branch, in favour of the Holders from time to time.

**Note Terms** means these terms of issue.

**Other CBA Creditors** means all creditors of CBA (including but not limited to all depositors of CBA) other than (a) Holders and (b) creditors whose claims against CBA rank, or are expressed to rank, on a winding-up, equally with or junior to the claims of holders of Preference Shares or other preference shares of CBA that rank equally with the Preference Shares.

**PERLS III Securities** means convertible notes issued under the PERLS III Note Deed between CBA and Preferred Capital Limited and any preference shares in CBA issued on exchange of those convertible notes.

**PERLS IV Securities** means stapled securities comprising an unsecured subordinated Note issued by CBA's New York Branch and a preference share issued by CBA pursuant to a prospectus dated 1 July 2007.

**Preference Share** means a fully paid preference share in the capital of CBA issued on the Preference Share Terms.

**Preference Share Terms** means the terms of issue of the Preference Shares which are set out in Appendix A of the Prospectus.

**Prospectus** means the prospectus issued in relation to an offer of the Stapled Securities.

**Record Date** means, in relation to a payment on a Note, the date which is seven calendar days before the relevant Interest Payment Date for that payment or such other date as CBA determines in its absolute discretion and communicates to ASX not less than six Business Days before the specified Record Date, or such other date as is required by ASX.

**Redemption Date** means:

- (a) the Maturity Date; or
- (b) when redemption occurs pursuant to clause 6.2 or 6.4, the date on which the Notes are redeemed in accordance with clause 6.2 or 6.4.

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## Note Terms

**Redemption Interest** means, for a Note on a Redemption Date, the amount which is calculated in accordance with the following formula:

$$\text{Redemption Interest} = \left[ \frac{\text{Interest Rate} \times \text{Face Value} \times N}{365} \right] + AI$$

where:

**N** is in respect of a Redemption Date occurring at any time:

- (a) before the first Interest Payment Date, the number of days from (and including) the Issue Date until (and excluding) the Redemption Date; and
- (b) after the first Interest Payment Date, the number of days from (and including) the preceding Interest Payment Date until (and excluding) the Redemption Date; and

**AI** is any Interest (not being Interest in respect of the period from (and including) the Issue Date or preceding Interest Payment Date until (and excluding) the Redemption Date) due and payable to Holders but unpaid as at the Redemption Date.

**Register** means the Register of Notes maintained by the Registrar and includes any CHESS sub-register (as defined in the ASX Listing Rules).

**Registrar** means Link Market Services Limited or any other registrar that maintains the Register.

**Relevant Jurisdiction** means any country, or political subdivision of one or more countries, or any federation or association of countries:

- (a) in which CBA or a Substituted Issuer is incorporated, resident or domiciled for any tax purpose or carries on business; or
- (b) from which, or through which, any Interest Payment is made.

**Repurchase** has the meaning given to that term in the Preference Share Terms.

**Resale** and **Resold** have the meaning given to those terms in the Preference Share Terms.

**Risk Based Capital Ratio** means the ratio so described by APRA (or any equivalent successor term).

**Stapled Security** means a stapled security comprising a Preference Share stapled to a Note in accordance with clause 2.

**Substituted Issuer** has the meaning given in clause 11.1.

**Tax** means:

- (a) any tax, including GST, levy, charge, impost, duty, fee, deduction, compulsory loan or withholding; or
- (b) any income, stamp or transaction duty, tax or charge,

which is assessed, levied, imposed or collected by any Governmental Agency and includes, but is not limited to, any interest, fine, penalty, charge, fee or other amount imposed on or in respect of any of the above.

**Tax Act** means the *Income Tax Assessment Act 1936* (Cth) or *Income Tax Assessment Act 1997* of Australia, as the case may be.

**Tax Rate** means the Australian corporate tax rate applicable at the relevant Interest Payment Date, expressed as a decimal.

**Tier 1 Capital** means any equity, debt or other capital so described by APRA.

**Tier 1 Capital Ratio** means the ratio so described by APRA (or any equivalent successor term).

**Trust Preferred Funding Securities** means the convertible notes issued by CBA to CBA Funding Trust I in relation to the Trust Preferred Securities issued by CBA Capital Trust I pursuant to an offering memorandum dated 30 July 2003 and any preference shares in CBA issued on exchange of those securities.

**Trust Preferred Funding Securities II** means the preference shares issued by CBA to CBA Funding Trust II and the subordinated notes issued by CBA to CBA USD Funding Limited in relation to the Trust Preferred Securities issued by CBA Capital Trust II pursuant to an offering memorandum dated 7 March 2006.

# Appendix B

## Note Terms

### 1.2 Interpretation

Unless the context otherwise requires:

- (a) headings and boldings are for convenience only and do not affect the interpretation of these Note Terms;
- (b) the singular include the plural and vice versa;
- (c) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and any government or semi-government agency;
- (d) a reference to a clause is to a clause of these Note Terms;
- (e) a reference to any statute or regulation includes all statutes and regulations amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (f) a reference to a document includes an amendment or supplement to, or replacement or novation of, that document;
- (g) where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day;
- (h) a reference to a body, other than a party to these Note Terms, including a commission or an exchange, whether statutory or not, which ceases to exist or whose functions or powers are transferred to another body, is a reference to the body which replaces it or substantially succeeds to its powers and functions;
- (i) references to sums of money are to amounts in Australian dollars;
- (j) if a calculation is required under these Note Terms, the calculation will be performed to four decimal places, provided that any amount to be paid to a Holder will be rounded down to the nearest cent;
- (k) a Note is to be regarded as remaining outstanding unless:
  - (1) it has been redeemed or purchased and cancelled in accordance with these Note Terms; or
  - (2) the date for its redemption in accordance with these Note Terms has occurred and the principal amount and any accrued interest in respect of the Notes have been duly paid by CBA and have not been repaid to CBA (unless a claim against CBA is void under clause 10); or
  - (3) claims in respect of it have become void in accordance with clause 10;
- (l) if a Note is not outstanding it will be taken to be cancelled.

## 2 Stapling and transfer

### 2.1 Stapling

Each Note will be stapled to a Preference Share if CBA issues the corresponding Preference Share, as referred to in the Prospectus, with effect from the time the corresponding Preference Share is issued. Each stapled Note and Preference Share together will constitute a Stapled Security. CBA will maintain a joint register for the Stapled Securities and joint holding statements or certificates will be issued to holders. Subject to the Note Terms and the Preference Share Terms, CBA will not take any corporate action which prejudices the stapling of Notes to the corresponding Preference Shares. This clause 2.1 is subject to clauses 2.10 and 5.3.

### 2.2 Transfer

A Holder may, subject to clauses 2.5, 2.6, 2.7 and 2.9, transfer any Note:

- (a) by a Market Transfer;
- (b) under any other method of transfer which operates in relation to the trading of securities on any securities exchange outside Australia on which Notes are quoted and which is applicable to securities of CBA; or

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## Note Terms

(c) by any sufficient instrument of transfer of marketable securities under applicable law.

CBA must not charge any fee on transfer of a Note.

### 2.3 Market obligations

CBA must comply with the ASX Listing Rules, ASTC Settlement Rules, Corporations Act and any other relevant obligations imposed on it in relation to the transfer of a Note and the corresponding Preference Share which forms part of the same Stapled Security.

### 2.4 Delivery of instrument

If an instrument is used to transfer Notes as described in clause 2.2, it must be duly stamped (if required) and delivered to the Registrar, together with such evidence (if any) as the Registrar reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the Notes and the corresponding Preference Shares which forms part of the same Stapled Securities.

### 2.5 Refusal to Register

CBA may refuse to register a transfer of any Note:

- (a) if such registration would contravene the ASX Listing Rules, the ASTC Settlement Rules or the Note Terms;
- (b) if the Corporations Act or any other law or regulation binding on it forbids registration; or
- (c) after an Assignment Event Date.

If CBA refuses to register a transfer, CBA must give the lodging party notice of the refusal and the reasons for it within five Business Days after the date on which the transfer was delivered to it.

### 2.6 Transferor to remain Holder until Registration

Subject to clause 5.3, a transferor of a Note remains the Holder until the transfer is registered and the name of the transferee is entered in the Register.

### 2.7 Further restrictions on transfer

Except as stated in clauses 2.10 and 5.3:

- (a) **(Stapled Securities)** after the corresponding Preference Share has been issued, no transfer of a Note may be registered by the Registrar unless a transfer of the corresponding Preference Share which forms part of the same Stapled Securities, is registered at the same time from the same transferor to the same transferee; and
- (b) **(minimum holding)** if a Holder's holding of Stapled Securities is less than a Marketable Parcel at any time, subject to the law, the ASX Listing Rules and the Constitution, CBA on behalf of the Holder may sell all of those Notes which form part of the Stapled Securities held by that Holder, along with the corresponding Preference Shares, if the Constitution permits CBA to sell the corresponding Preference Shares which form part of those Stapled Securities. The Notes will be sold in the same manner as the Preference Shares in accordance with the Constitution.

### 2.8 No general restriction on transfer

- (a) Subject to these Note Terms, there is no restriction on the transfer of Notes and, subject to these Note Terms, CBA may not do anything which may prevent, delay or in any way interfere with, the registration of a transfer of Notes effected under clause 2.2.
- (b) Except as otherwise set out in these Note Terms, there is no restriction on any other transfer of Notes.

### 2.9 No separate dealings

Except as stated in clauses 2.10 and 5.3, after the corresponding Preference Share has been issued, a Note, and any interest in a Note, is not capable of being transferred, assigned or made the subject of an Encumbrance or trust in whole or in part, separately from the corresponding Preference Share which forms part of the same Stapled Securities. Any transferee, assignee or holder of an Encumbrance or trust takes Stapled Securities subject to, and agrees to be bound by, the Note Terms.

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### 2.10 Unstapling

On an Assignment Event Date, the corresponding Preference Share ceases to be stapled to the Note and, for the avoidance of doubt, clauses 2.1, 2.7(a) and 2.9 will cease to apply.

### 2.11 Resale

If the Preference Shares are Resold to a Purchaser in accordance with the Preference Share Terms prior to an Assignment Event Date, the Notes and all right, title and interest of the Holders in the Notes are automatically assigned to the Purchaser with effect from the time at which the Resale takes effect under the Preference Share Terms.

## 3 Form, Face Value and ranking

### 3.1 Form

Notes are unsecured, subordinated notes constituted under and issued in accordance with the Note Deed Poll. Holders are entitled to the benefit of and are bound by the provisions of the Note Deed Poll, including the Note Terms.

### 3.2 Face Value

The Issue Price and Face Value of each Note is \$200.00.

### 3.3 Status of Notes

- (a) The rights of the Holders against CBA under the Notes are subordinated to the claims of Other CBA Creditors and are intended to take effect as if those rights ranked equally with the Preference Shares. Accordingly:
- (1) the obligation of CBA to make, and the entitlement of the Holders to receive and retain, any payment of the principal of, interest on, or any other amount with respect to, the Notes is subject, from and after the occurrence of a winding-up or liquidation of CBA, to the satisfaction in full of the claims of the Other CBA Creditors, and no payment in respect of the principal of, interest on, or any other amount with respect to, the Notes which would otherwise fall due and payable will be so due and payable while the claims of the Other CBA Creditors remain unsatisfied in whole or in part; and
  - (2) in a winding-up or liquidation of CBA, the rights of the Holders against CBA under the Notes are limited to, and the maximum amount that the Holders may recover is, such proportion (the **Notes Entitlement**) of the amount owing (or which but for this provision would be owing) to them under this instrument as would make it possible for a liquidator of CBA, after payment in full of all amounts owing to Other CBA Creditors and after payment of the Notes Entitlement, to pay the corresponding proportion of the Face Value of and any unpaid dividends or interest on the Preference Shares, Existing Capital Securities and any other preference shares of CBA that rank equally with the Preference Shares and other securities or instruments of CBA that rank or are expressed to rank equally with the Preference Shares or such other preference shares of CBA, and to that end, each Holder waives to the maximum extent permitted by law any entitlement to interest under section 563B of the Corporations Act to the extent it would not otherwise be entitled to such amount if it held a Preference Share.
- (b) Subject to clause 3.3(a) of these Note Terms or clause 4.10(b) of the Preference Share Terms, the Notes rank equally with Existing Capital Securities with respect to payment of interest, dividends or similar payments.
- (c) The Notes are not deposit liabilities of CBA and are not subject to any depositor protection provisions applicable under Australian law.

### 3.4 No winding-up

A Holder must not in its capacity as a Holder:

- (a) issue any demand under section 459E(1) of the Corporations Act (or any analogous provision under any other law) against CBA;
- (b) apply for the winding-up or dissolution of CBA;
- (c) levy or enforce any distress or other execution to, on, or against any assets of CBA;



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- (d) apply for the appointment by a court of a receiver to any of the assets of CBA;
- (e) appoint, or agree to the appointment of, any administrator to CBA; or
- (f) take proceeding for any of the above.

### 3.5 Set-off

- (a) Holders must not exercise (either directly or indirectly) or claim a right of set-off or counterclaim against CBA against any amounts owed by CBA under these Note Terms.
- (b) CBA must not exercise (either directly or indirectly) or claim a right of set-off or counterclaim against a Holder against any amounts owed by the Holder under these Note Terms.

### 3.6 Issue of Notes

Notes are regarded as issued to a person if and when the person's name is recorded in the Register in accordance with these Note Terms. No rights whatsoever attach to Notes until issued.

## 4 Interest

### 4.1 Calculation and payment of Interest

Subject to these Note Terms (including but not limited to clauses 4.4 and 4.6), the Holder of each Note on the relevant Record Date is entitled to receive on each relevant Interest Payment Date interest (Interest) calculated in accordance with the following formula:

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

where:

**D** is the number of days in the relevant Interest Period.

### 4.2 Gross-up

(a) If any Interest payment before the application of this clause 4.2:

- (1) due to be made on a Note does not have a “franking percentage” of 100% CBA must notify the Holders as soon as practicable and (regardless of whether that notice is actually given) CBA must increase the Interest concerned; or
- (2) made on a Note is subsequently found not to have, or is treated by the Commissioner as not having, a “franking percentage” of 100% other than as a result of any actions by the Holders, CBA must notify the Holder as soon as practicable and (regardless of whether that notice is actually given) must pay within 30 Business Days of CBA becoming aware of such finding or treatment an amount which represents the difference between the Interest payment made and the increased Interest concerned,

so that the additional interest to be paid (the **Gross-Up Amount**) is the amount calculated in accordance with the following formula as adjusted by clause 4.2(a)(3):

$$\frac{I \times T \times (1 - f1)}{1 - T}$$

where:

**I** = the Interest for the Interest Period calculated, prior to any increase, in accordance with clause 4.1;

**T** = the Australian corporate tax rate applicable at the relevant Interest Payment Date, expressed as a decimal; and

**f1** = the “franking percentage” of the Interest payable (excluding any payment under this clause 4.2) expressed as a decimal to four decimal places,

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provided that:

(3) any payment under this clause 4.2 will be adjusted in accordance with the following formula:

$$\frac{\text{Gross-up Amount} \times (1 - T)}{[1 - T + (T \times f2)]}$$

where  $f2$  = the “franking percentage” of the Gross-Up Amount expressed as a decimal to four decimal places.

In this clause 4.2, “**franking percentage**” has the meaning given by section 203-35 of the Tax Act or any section that replaces or revises that section.

No interest is payable by CBA in respect of any amount payable under clause 4.2(a)(2).

(4) The foregoing provisions of this clause 4.2(a) will not apply in respect of a Note after the Assignment Event Date in respect of that Note.

(b) Notwithstanding any other provision of these Note Terms, if a Holder:

(1) fails to abide, or treat itself as bound, by the outcome of any administrative or judicial proceedings referred to in clause 16(a)(1);

(2) seeks an amended assessment of their taxation position in respect of the availability of the benefit of franking credits on any Interest;

(3) seeks a determination from the Commissioner under section 177EA(5)(b) of the Tax Act in respect of any Interest;

(4) makes an election in accordance with clause 16(b); or

(5) does anything having a substantially similar effect to paragraphs (1) to (4),

CBA will not pay, and will not be under any obligation to pay:

(6) any increased Interest pursuant to clause 4.2(a); or

(7) any amount to the Commissioner under clause 16(a)(3) in respect of any tax liability in relation to any Interest received, or expected to be received, by that Holder.

### 4.3 Payment

Subject to this clause 4, the Interest for each Interest Period will be payable to Holders in arrears on each Interest Payment Date.

### 4.4 Payment of Interest

The payment of Interest to Holders on an Interest Payment Date on or before the Assignment Event Date is subject to:

(a) no CBA Stopper Resolution having been passed which has not been rescinded. Without limiting the Board’s discretion to resolve not to pay all of the interest, the Board will pass a CBA Stopper Resolution if in the opinion of the Board:

(1) CBA is not able, or payment of all or a portion of the Interest would cause CBA not to be able, to pay all of its debts as and when they become due and payable;

(2) payment of all or a portion of the Interest would result in CBA becoming, or being likely to become, insolvent for the purposes of the *Corporations Act 2001* (Cth); or

(3) payment of the Interest would cause a breach of any APRA Guidelines (unless APRA has given its approval for the payment); and

(b) none of the following conditions existing on the Business Day prior to the relevant Interest Payment Date:

(1) there is an Insufficient Distributable Profits Circumstance unless otherwise approved in writing by APRA;

(2) the payment would result in the Risk Based Capital Ratio or the Tier 1 Capital Ratio of the ADI (on a Level 1, Level 2 or Level 3 basis as described by APRA) not complying with APRA Guidelines unless APRA otherwise gives its approval;

(3) APRA has objected to the proposed payment; or

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(4) APRA has stated that the payment will result in the Preference Shares or Stapled Securities no longer being treated as Non-Innovative Residual Tier 1 Capital of the ADI (on a Level 1, Level 2 or Level 3 basis as described by APRA).

The Board may not pass a CBA Stopper Resolution in respect of only a portion of a payment of Interest.

### 4.5 Non-cumulative Interest

The right to receive Interest attached to the Notes is non-cumulative. Therefore, if and to the extent that all or any part of an Interest Payment is not paid because of any provision of clause 4.4 or because of any applicable law, CBA has no liability to pay that Interest to the Holder and the Holder has no claim or entitlement in respect of the non-payment of that Interest. No amount accrues on any unpaid Interest, and the Holder has no claim or entitlement in respect of interest on, or otherwise in respect of, any unpaid Interest.

### 4.6 Calculation of Interest

All calculations of Interest will be rounded to four decimal places. For the purpose of making any payment of Interest in respect of a Holder's aggregate holding of Notes, any fraction of a cent will be disregarded.

### 4.7 Deduction and Gross-up

(a) Subject to clause 4.7(b), CBA will be entitled to deduct from any Interest Payment or other amount payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by CBA to the appropriate authority and the balance of the amount payable has been paid to the Holder concerned, then the full amount payable to such Holder shall be deemed to have been duly paid and satisfied by CBA. CBA shall pay the full amount deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law and shall, if required by any Holder, deliver to that Holder the relevant receipt issued by the revenue authority without delay after it is received by CBA.

(b) Subject to clause 4.2, if (and to the extent that):

(1) a law of a Relevant Jurisdiction (other than Australia) requires CBA to deduct any withholding or other tax, duty or levy from any Interest which is payable to a Holder under clause 4.1, so that a Holder would not actually receive for its own benefit on the payment date the full amount which is so payable; and

(2) the relevant deduction is required to be made on a basis other than:

(A) the Holder having some connection with the Relevant Jurisdiction other than the mere holding of the Note or receipt of a payment in respect of it;

(B) the Holder:

(i) not having provided relevant information to CBA;

(ii) not having made a declaration or similar claim;

(iii) not having satisfied a reporting requirement;

(C) on account of stamp duty, estate duty or similar transaction duty,

the amount of the Interest that is payable will be increased so that, after making the relevant deduction, and deductions applicable to increases in the amount of the Interest payable pursuant to this clause, the Holder receives the amount that the Holder would have received if no such deduction had been required.

### 4.8 Assignment Prevention Optional Dividends

Payment of an Assignment Prevention Optional Dividend will be deemed for the purpose of these Note Terms to be a payment of an equivalent amount of Interest on the Notes. Assignment Prevention Optional Dividends may only be paid with the prior written approval of APRA.

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### 5 Assignment

#### 5.1 Assignment Event

An Assignment Event in relation to a Note means the occurrence of any of the following events after the issue of the Preference Shares comprising part of the Stapled Securities:

- (a) a Default Event;
- (b) an APRA Event occurring (other than where it occurs because APRA appoints a statutory manager to the ADI) and APRA requiring that such APRA Event be an Assignment Event;
- (c) APRA appoints a statutory manager to the ADI;
- (d) APRA requiring that an Assignment Event occur (to the extent required by APRA);
- (e) CBA electing that an Assignment Event occur (to the extent elected by CBA);
- (f) the date the Preference Shares are Repurchased or Converted, prior to the Repurchase or Conversion taking effect;
- (g) Interest on the Notes or an Assignment Prevention Optional Dividend on the Preference Shares has not been paid in full to Holders within 20 Business Days of an Interest Payment Date; or
- (h) the Face Value of the Preference Shares has not been paid in full to Holders where the Preference Shares are to be Repurchased.

#### 5.2 Irrevocable offer to assign

- (a) Upon the issue of the Preference Shares comprising part of the Stapled Securities or, if later, upon becoming a Holder, each Holder is taken irrevocably to offer to assign the Notes held by them on the Assignment Event Date, and all right, title and interest of the Holder in those Notes, to the Assignee on the Assignment Event Date on the terms set out in clause 5.3.
- (b) After the issue of the Preference Shares comprising part of the Stapled Securities, CBA may on the occurrence of an Assignment Event in clause 5.1 accept the offer referred to in clause 5.2(a) by giving a notice to ASX specifying:
  - (1) the particular Assignment Event;
  - (2) if the Assignment Event does not apply to all of the Notes, the proportion of the Holder's Notes, the subject of the Assignment Event in respect of which the offer referred to in clause 5.2(a) is accepted (which proportion must be, as far as practicable, the same for all Holders); and
  - (3) the Assignment Event Date.

CBA or an Appointed Person may receive CBA's acceptance of the Holder's offer (which will be announced by CBA to ASX as soon as practicable on or after the Assignment Event Date) and enter into the assignment agreement referred to in clause 5.3.

Any notice, once given, is irrevocable.

#### 5.3 Notes Assigned to CBA

If, after the issue of the Preference Shares comprising part of the Stapled Securities, CBA accepts the irrevocable offer to assign referred to in clause 5.2(a), CBA and each Holder will be deemed to enter into an assignment agreement on the Assignment Event Date on the following terms:

- (a) all amounts payable in respect of the proportion of the Holder's Notes specified in the Assignment Event Notice after the Assignment Event Date (together with any amount unpaid at 7.00pm on the Assignment Event Date) will be paid to CBA or, with the written approval of APRA, any other entity nominated by CBA that is deemed to be part of the Extended Licensed Entity (the "**Assignee**"); and
- (b) the proportion of the Holder's Notes specified in the Assignment Event Notice and all right, title and interest of the Holder in them are automatically assigned to and vest in the Assignee on the Assignment Event Date, and CBA must cause the Register to be amended to reflect this (and thereafter the relevant Notes shall cease to be stapled to the corresponding Preference Shares).

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Any transferee, assignee or holder of an Encumbrance or trust takes Stapled Securities subject to, and agrees to be bound by, the Note Terms, including this clause 5, and no such person shall have any right, title and interest in any Note after the Assignment Event Date.

### 6 Redemption

#### 6.1 Payment of Face Value

The Face Value of the Notes outstanding will only be payable if the Notes are redeemed for cash pursuant to these Note Terms.

#### 6.2 Redemption by CBA after an Assignment Event

If an Assignment Event occurs and a CBA Group Entity becomes the holder of the Notes, CBA may redeem all of the Notes for Face Value plus Redemption Interest.

#### 6.3 Redemption at Maturity

At the Maturity Date of the Notes, CBA will redeem each Note for cash equal to Face Value plus Redemption Interest. Any payment in respect of that redemption will be to the Assignee in accordance with clause 5.3.

#### 6.4 Redemption on a winding-up

Following an order made or effective resolution passed for the winding-up of CBA but subject to clause 3.3, the Holders will be entitled to an amount equal to Face Value plus Redemption Interest to the extent such Interest is due and payable to the Holder. Despite any other provisions of these Note Terms, any payment in respect of that redemption will be to the Assignee in accordance with clause 5.3.

### 7 Further issues

#### 7.1 Participation in new issues

Notes do not confer any rights on Holders to subscribe for new securities in CBA or to participate in any bonus issues.

#### 7.2 Further issues

CBA reserves the right to issue further Notes, Preference Shares or Stapled Securities, or to issue further securities or permit the conversion of securities to securities which rank senior to, equally with or behind the Notes, whether in respect of interest, dividends, return of capital on a winding-up or otherwise.

### 8 Payments

(a) Any interest or other money payable on or in respect of the Notes must be paid:

- (1) in Australian dollars only; and
- (2) free of any set off, deduction or counter claim except as required by law.

(b) CBA may pay a person entitled to any Interest or other amount payable in respect of a Note by:

- (1) crediting an account nominated in writing by that person;
- (2) cheque made payable to bearer, sent to the person entitled to the amount; or
- (3) any other manner as the Board resolves.

Any payment made under clause 8(b)(2) is at the Holder's risk.

(c) CBA may send a cheque referred to in clause 8(b)(2) to:

- (1) the address in the Register of the Holder of the Note;
- (2) if that Note is jointly held, the address in the Register of the Holder named first in the Register in respect of the Note; or
- (3) any other address which that person directs in writing.

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- (d) If the Board decides to make a payment by electronic or other means approved by the Board under clause 8(b)(3) and an account is not nominated by the Holder or joint Holders, CBA may hold the amount payable in a separate account of CBA until the Holder or joint Holders nominate an account, without any obligation to pay interest, and the amount so held is to be treated as having been paid to the Holder or joint Holder at the time it is credited to that separate account of CBA.
- (e) All amounts payable but unclaimed may be invested by the Board as they think fit for the benefit of CBA until claimed or until required to be dealt with in accordance with any law relating to unclaimed monies.

### 9 Obligations of Current Branch

- (a) Subject to clause 11, although these Note Terms are entered into by CBA initially through its New Zealand branch and the Notes will be taken to be issued in New Zealand, the obligations of CBA are not limited to the New Zealand assets of CBA. If CBA is unable to make a payment under the Notes from the Current Branch, it shall make the payment from some other branch on behalf of the Current Branch.
- (b) Subject to these Note Terms, CBA may by notice to Holders change the branch through which it elects to act in respect of the Notes.
- (c) CBA will not change the branch through which it elects to act in respect of the Notes if the issue or performance of the Notes would be illegal in the jurisdiction in which the proposed new branch is located.

### 10 Time limits for claims

A claim against CBA for a payment under a Note is void unless made within five years of the due date for that payment.

### 11 Substituted Issuer

#### 11.1 Substitution of CBA

CBA may, without the consent of the Holder, substitute for itself any other subsidiary or holding company of CBA (which may be incorporated in any country) as the debtor in respect of the Notes (**Substituted Issuer**) by giving notice to ASX, provided that:

- (a) the Substituted Issuer has undertaken in favour of each Holder from time to time to be bound by the Note Terms and the Note Deed Poll, as the debtor in respect of the Notes in place of CBA (or of any previous substitute under this clause 11);
- (b) the Substituted Issuer and CBA have obtained all necessary authorisations, regulatory and governmental approvals and consents (including from APRA) for such substitution and for the performance by the Substituted Issuer of its obligations under the Notes and the documents effecting the substitution;
- (c) if the Substituted Issuer does not have a place of business in New South Wales, the Substituted Issuer has appointed a process agent as its agent to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes; and
- (d) the Substituted Issuer has, in the reasonable opinion of CBA, the financial capacity to satisfy its obligations under the Note Deed Poll.

#### 11.2 Substituted Issuer's rights and obligations under documents

Upon notice of such substitution under clause 11.1:

- (a) the Substituted Issuer shall succeed to, and be substituted for, CBA under the Notes with the same rights and obligations as if the Substituted Issuer had been named as CBA in the Notes Terms and the Note Deed Poll in respect of those rights and obligations, and CBA shall be released from its obligations under the Notes and under the Note Terms and the Note Deed Poll;
- (b) references in these Note Terms and the Note Deed Poll to CBA (including, without limitation, in this clause 11) are taken, where the context so requires, to be or include references to any such Substituted Issuer (provided that, without otherwise

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limiting this clause, references to CBA in the definitions of ADI, Assignment Prevention Optional Dividend, Default Event, Distributable Profits, PERLS III Securities, PERLS IV Securities, Trust Preferred Funding Securities, Trust Preferred Funding Securities II and Preference Share and in clause 5.1(d) will not be references to the Substituted Issuer and references to Capital Securities shall be references to Capital Securities as defined in the Preference Share Terms), provided that if CBA reasonably considers that some adjustment is appropriate to the foregoing process (including in terms of how references in the Note Terms are to be understood following the substitution) then CBA may give notice to the Holders of the adjustment and the adjustment shall take effect accordingly unless the adjustment is, or is likely to become, materially prejudicial to holders of Stapled Securities or Preference Shares.

### 11.3 Further substitutions

After a substitution under clause 11.1, the Substituted Issuer may, without the consent of any Holder, effect a further substitution (including to CBA or previous Substituted Issuer). All the provisions specified in clauses 11.1 and 11.2 will apply (with necessary changes).

### 11.4 Notice to Holders

CBA must notify the Holders of the particulars of any substitution under this clause 11 by publishing a notice in *The Australian Financial Review* or any other daily financial newspaper in Australia of national circulation as soon as practicable after the substitution.

## 12 Ownership and Transfer

### 12.1 Non-beneficial holders

- (a) The Register is conclusive evidence of the ownership of a Note subject to rectification for fraud or error.
- (b) Subject to the Corporations Act, unless otherwise ordered by a court of competent jurisdiction or required by statute, CBA:
  - (1) must treat the registered Holder of a Note as the absolute owner of it; and
  - (2) need not in any way recognise any equitable or other claim to or interest in a Note by any person except a registered Holder.
- (c) No notice of any trust or other right to or interest in a Note will be entered in the Register unless required by law or permitted by CBA.

### 12.2 Joint Holders

If the Register names two or more joint Holders of a Note:

- (a) CBA is not bound to register more than three persons as the joint Holders of the Notes;
- (b) the joint Holders are jointly and severally liable in respect of all payments, including payment of any tax, which ought to be made in respect of the Notes;
- (c) on the death of a joint Holder, the survivor or survivors are the only person or persons whom CBA will recognise as having any title to the Notes, but CBA may require any evidence of death which it thinks fit;
- (d) the joint Holders of a Note are counted as a single Holder of that Note for the purposes of calculating the number of Holders or requisitioners who have applied for a Meeting; and
- (e) CBA must treat the person named first in the Register in respect of that Note as the sole owner of it for all purposes (including the giving of notice) except:
  - (1) for the right to vote (to which clause 8 of Schedule 1 applies);
  - (2) CBA may pay any Interest or other money payable in respect of a Note to the address of the joint Holder named first in the Register or to any other address all the joint Holders direct in writing;

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- (3) it shall be a sufficient discharge of any of CBA's obligations to them if CBA discharges that obligation in relation to the firstnamed Holder of the Note in the Register;
- (4) the sale of non-Marketable Parcels under clause 2.7(b) of the Note Terms; and
- (5) for transfer.

### 12.3 Transmission of Notes on death of Holder

In the case of the death of a Holder, the survivor or survivors of a deceased Holder who was a joint Holder, and the legal personal representatives of a deceased Holder who was a sole Holder, shall be the only persons recognised by CBA as having any title to the Holder's interest in the Notes, but this clause does not release the estate of a deceased Holder or joint Holder from any liability in respect of a Note that had been held by the deceased solely or jointly held with other persons.

### 12.4 Right of registration on death or bankruptcy

- (a) Subject to the *Bankruptcy Act 1966*, a person becoming entitled to a Note in consequence of the death or bankruptcy of a Holder may, upon such information being produced as is properly required by the Board, elect either to be registered as Holder of the Note or to nominate some other person to be registered as the transferee of the Note.
- (b) A person becoming so entitled who elects to be registered shall deliver or send to CBA a notice in writing signed by that person advising of the election.
- (c) A person who elects to have another person registered shall execute or effect a transfer of the Note to that other person.
- (d) All the limitations, restrictions and provisions of this constitution relating to the right to transfer, and the registration of transfers of, Notes are applicable to any such notice or transfer as if the death or bankruptcy of the Holder had not occurred and the notice or transfer were a transfer signed by that Holder.

### 12.5 Effect of transmission

- (a) Where a Holder dies or becomes bankrupt, the Holder's legal personal representative or the trustee of the Holder's estate, as the case may be, is, upon the production of such information as is properly required by the Board, entitled to the same rights, as the registered Holder would have been entitled to if he or she had not died or become bankrupt.
- (b) Where two or more persons are jointly entitled to any Note in consequence of the death of the registered Holder they shall, for the purpose of this constitution, be deemed to be joint Holders of the Note and clause 12.2 will apply to them.
- (c) The Board may register a transfer of Notes signed by a Holder before the Holder's death or bankruptcy even though CBA has notice of the Holder's death or bankruptcy.

### 12.6 Transmission of Notes

Until the Assignment Event Date, if CBA is required under the Constitution to register a person as a holder of a Preference Share because a holder of that Preference Share dies or because of the insolvency or mental incapacity of a holder of that Preference Share or for any other reason, then CBA must ensure that the Registrar registers that person as the holder of the corresponding Note which forms part of the same Stapled Security at the same time.

## 13 Meetings

### 13.1 Convening of meetings

Meetings of Holders:

- (a) may be convened by CBA at any time and for any reason it thinks fit;
- (b) must be convened by CBA if:
  - (1) Holders who together hold 10% or more of the Face Value of the Notes direct CBA to do so; and
  - (2) the direction is given to CBA in writing at the address in clause 14.2(e)(1); and
  - (3) the purpose of the meeting is to consider CBA's failure to remedy any breach of the Note Terms.



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### 13.2 Duty to give notification of Meeting

- (a) If CBA is required to convene a meeting under clause 13.1(b), it must be called within 30 days of receipt of the Holder's request, failing which the requisitioning Holders may together call and arrange to hold the meeting.
- (b) CBA may give notice to a Holder in accordance with clause 14.2.

### 13.3 Conduct of Meetings

A Meeting is to be convened and conducted, and may exercise its powers, in accordance with the provisions of Schedule 1.

## 14 General

### 14.1 Power of attorney and agency appointment

Each Holder irrevocably:

- (a) appoints CBA, each of its Authorised Officers and any liquidator, administrator or statutory manager of CBA (each an Appointed Person) severally to be the attorney of Holders and the agent of Holders with power in the name and on behalf of Holders to do all such acts and things including signing all documents or transfers as may in the opinion of the Appointed Person be necessary or desirable to be done in order to effect, record or perfect the transfer, assignment or redemption (or transactions contemplated by the transfer, assignment or redemption) of the Notes when required or permitted in accordance with these Note Terms;
- (b) authorises and directs CBA to make such entries in the Register, including amendments and additions to the Register, which CBA considers necessary or desirable to record the transfer, assignment or redemption of the Note in accordance with these Note Terms, and to record that on that transfer or assignment the holder of Stapled Securities ceases to be registered as the holder of Stapled Securities or the Note and a new holder of that Note becomes registered in place of the Holder.

The power of attorney and agency appointment given in this clause 14.1 is given for valuable consideration and to secure the performance by the Holders of the Holders' obligations under these Note Terms and is irrevocable.

### 14.2 Notices

- (a) Except where otherwise provided in these Note Terms, all notices to the Holders in connection with a Note must be in writing and must be sent by prepaid post (airmail if appropriate) or left at the address of the relevant Holder (as shown in the Register at the close of business on the day which is three Business Days before the date of the relevant communication).
- (b) Notices take effect from the time they are taken to be received unless a later time is specified in them.
- (c) Unless a later time is specified in it, a notice, if sent by post, is taken to be received on the first Business Day after posting.
- (d) The non-receipt of a notice by a Holder or an accidental omission to give notice to a Holder will not invalidate the giving of that notice either in respect of that Holder or generally.
- (e) All notices or other communications to CBA in respect of the Note Terms must be in legible writing and in English and:
  - (1) addressed as shown below:
    - Attention: Company secretary
    - Address: Level 7, 48 Martin Place, Sydney, NSW 1155, or such other address as CBA notifies to ASX as its address for notices or other communications in respect of the Note Terms.
    - Fax no: (02) 9378 3317, or such other address as CBA notifies to ASX as its fax number for notices or other communications in respect of the Note Terms;
  - (2) must be signed by the person making the communication or by a person duly authorised by that person;

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- (3) must be delivered or posted by prepaid post to the address, or sent by fax to the fax number, of CBA in accordance with clause 14.2(e)(1);
- (4) will be regarded as received by CBA:
  - (A) if sent by fax, when actually received in its entirety in legible form, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, in which case that communication will be regarded as received at 9.00am on the next Business Day; and
  - (B) in any other case, on delivery at the address of CBA as provided in clause 14.2(e)(1), unless that delivery is not made on a Business Day, or is after 5.00pm on a Business Day, in which case that communication will be regarded as received at 9.00am on the next Business Day.

### 14.3 Governing law and jurisdiction

- (a) These Note Terms are governed by the laws of New South Wales.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of New South Wales.

### 14.4 Amendment of terms

- (a) Subject to complying with all applicable laws and clause 14.4(c) and with the prior approval of APRA, CBA may, without the authority, assent or approval of Holders, by notice to the Holders amend or add to these Note Terms or the Note Deed Poll where the amendment or addition is, in the opinion of CBA:
  - (1) made to correct a manifest error;
  - (2) of a formal, minor or technical nature;
  - (3) made to comply with any law, the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which CBA proposes from time to time to seek quotation of the Stapled Securities or Preference Shares;
  - (4) convenient for the purpose of obtaining or maintaining the listing or quotation of the Stapled Securities or Preference Shares; or
  - (5) is not, and is not likely to become, materially prejudicial to holders of Stapled Securities or Preference Shares generally.
- (b) Without limiting clause 14.3, CBA may by notice to the Holders amend or add to these Note Terms or the Note Deed Poll if the amendment or addition has been approved by an Extraordinary Resolution.
- (c) CBA must not, without the prior written approval of APRA, amend these Note Terms if the amendment may affect the eligibility of the Notes to continue to qualify as Non-Innovative Residual Tier 1 Capital.

## 15 Appointment of Trustee

- (a) CBA may establish a trust and appoint a trustee (**Trustee**) to act as trustee for the benefit of Holders:
  - (1) when required by law to do so; or
  - (2) at any time at CBA's sole discretion.
- (b) If CBA appoints a Trustee under clause 7(a) of the Note Deed Poll and this clause 15 the Trustee will hold the benefit of:
  - (1) the trust deed by which or under which it is appointed (**Trust Deed**);
  - (2) the right to enforce CBA's duty to repay the Notes;
  - (3) the right to enforce all other duties of CBA under the Note Terms, and the provisions of the Trust Deed; and
  - (4) any other right, power, authority, discretion or remedy conferred on the Trustee by the Trust Deed or by law and other property which the Trustee may receive or may be vested in the Trustee,in trust for the Holders subject to and in accordance with the Trust Deed and the Note Terms.

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- (c) If CBA appoints a Trustee under clause 7(a) of the Note Deed Poll and this clause 15, the benefit which the Holder has under clause 2(a) of the Note Deed Poll will commence to be held on trust for it by the Trustee until termination of the Note Terms under clause 8 of the Note Deed Poll.

### 16 Taxation arrangements

- (a) Subject to clause 16(b), each Holder agrees that, if the Commissioner makes a determination under section 177EA(5)(b) of the Tax Act in respect of any Interest in respect of one or more Holders:
- (1) it will be bound, and will treat itself as bound, by the outcome of any administrative or judicial proceedings between CBA (and/or its nominee) and the Commissioner in respect of the determination;
  - (2) it will not seek:
    - (A) an amended assessment of its taxation position in respect of the availability of the benefit of franking credits on any Interest; or
    - (B) a determination from the Commissioner under section 177EA(5)(b) of the Tax Act in respect of any Interest; and
  - (3) if CBA is required under any arrangement with the Commissioner to make a payment to the Commissioner in respect of any tax liability in relation to any Interest received, or expected to be received, by that Holder, it directs CBA to pay that amount to the Commissioner.
- (b) A Holder may elect by written notice to CBA not to be bound by the agreement in clause 16(a).
- (c) If:
- (1) a Holder makes an election in accordance with clause 16(b);
  - (2) does not comply with the agreement in clauses 16(a)(1) or (2); or
  - (3) does anything having a substantially similar effect to clause 16(c)(1) or (2),
- such Holder will be taken to have acknowledged and agreed that clause 4.2(b) will apply to that Holder.

## Schedule 1

### Meetings of Holders

The following sets out the provisions which govern the convening and holding of Meetings and the exercise by such meetings of their powers.

#### 1 Notice of Meeting

- (a) At least 10 Business Days notice in writing of any Meeting must be given to CBA and the Holders by the party convening the Meeting.
- (b) If a Holder does not receive notice of a Meeting in accordance with clause 1(a) of this Schedule, the Meeting is still validly convened, but no Meeting will be validly convened unless CBA has received notice of it in accordance with clause 1(c) of this Schedule.
- (c) The party convening the Meeting must notify CBA and Holders (as the case requires) in writing of:
- (1) the place, day and time of the Meeting; and
  - (2) the nature of the business to be transacted.

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### 2 Who may attend and address Meeting?

Each Holder is entitled to attend and vote at any Meeting or adjourned Meeting. CBA and any person invited by CBA is entitled to attend and address a Meeting or adjourned Meeting of Holders.

### 3 Quorum

- (a) No business may be transacted at any Meeting unless a quorum of Holders is present at the time when the Meeting proceeds to business.
- (b) A quorum for any Meeting is at least five persons holding or representing by attorney, representative or proxy at least 10% of the face value of the Notes.
- (c) If a quorum is not present within half an hour from the time appointed for the Meeting:
  - (1) where the Meeting was convened by or upon the requisition of the Holders, the Meeting must be dissolved; and
  - (2) in any other case, the Meeting must be adjourned as the chairperson directs.
- (d) At an adjourned Meeting the Holders with at least 5% of the face value of the Notes who are present either in person or by proxy constitute a quorum and are entitled to pass the resolution.

### 4 Chairperson

- (a) The person nominated in writing by CBA will preside as chairperson at each Meeting unless rule 4(b) says otherwise.
- (b) If at a Meeting:
  - (1) there is no person that has been nominated by CBA to preside as chairperson;
  - (2) the nominated chairperson is not present within 30 minutes after the time appointed for the meeting; or
  - (3) the nominated chairperson is present within that time but is not willing to act as chairperson of the meeting,then the Holders present may elect as chairperson of the meeting a Holder or Proxy who is present and willing to act, failing which the Meeting will be dissolved.

### 5 Conduct of Meetings

- (a) The chairperson of a Meeting is responsible for the general conduct of the meeting and for the procedures to be adopted at the meeting and may require the adoption of any rules or procedures which are in his or her opinion necessary or desirable for the proper and orderly conduct of the Meeting.
- (b) The chairperson of a Meeting may at any time he or she considers it necessary or desirable for the proper and orderly conduct of the meeting terminate debate or discussion on any matter being considered by the Meeting and put the matter to a vote of the Holders present.
- (c) The chairperson of a Meeting may refuse to allow any amendment to be moved to a resolution of which notice has been given under rule 5(b).
- (d) The chairperson of a Meeting may at any time during the course of the Meeting adjourn the Meeting or any matter being considered or remaining to be considered by the Meeting to an adjourned Meeting, but may not do so without the approval of the Holders present if the Meeting has been called by or on the requisition of Holders.
- (e) No business may be transacted at any adjourned Meeting other than the business left unfinished at the Meeting from which the adjournment took place.

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## Note Terms

- (f) CBA must give at least 10 days' notice to the Holders of the date, time and place of any adjourned Meeting where the adjournment is due to lack of a quorum. It is not otherwise necessary to give notice of an adjournment or of the business to be transacted at an adjourned Meeting.
- (g) Where a Meeting is adjourned, CBA may change the venue of, postpone or cancel the adjourned Meeting unless the meeting was called and arranged to be held by or on the requisition of the Holders.
- (h) The convenor or chairperson of a Meeting may permit the Meeting to be held by the contemporaneous linking together by telephone or other electronic means of persons entitled to be present at the Meeting provided that the Holders, CBA and the Registrar all have a reasonable opportunity to participate in this way and dial-in or other relevant details are notified to such persons not less than 48 hours before the start of the Meeting. These rules apply, so far as they can and with such changes as are necessary, to Meetings held in this way.

### 6 Voting

- (a) Any question submitted to a Meeting must be decided on a show of hands, but a poll will be taken in any case where:
  - (1) it is required by the Note Terms or by law that the question be decided by a majority which is to be measured by a percentage of the votes cast by those present; or
  - (2) either before or immediately after any question is put to a show of hands a poll is demanded by the chairman of the Meeting, CBA, or at least five Holders, present personally or by proxy, representative or attorney, holding or representing by proxy, representative or attorney at least 5% of the face value of the Notes.
- (b) In the case of equality of votes, the chairman of a Meeting has a casting vote in addition to his votes (if any) as a Holder both on a show of hands and on a poll.

### 7 Votes

- (a) At a Meeting:
  - (1) on a show of hands each Holder present personally or by proxy, attorney or representative with the right to vote at that Meeting has one vote; and
  - (2) on a poll each Holder present personally or by proxy, attorney or representative with a right to vote at that Meeting is entitled to one vote for each Note held by the Holder.
- (b) Where a person present at a Meeting represents personally or as proxy, attorney or representative more than one Holder:
  - (1) on a show of hands the person is entitled to one vote only;
  - (2) that vote will be taken as having been cast for all the Holders the person represents; and
  - (3) the person must not exercise that vote in a way which would contravene any directions given to the person in any instrument appointing the person as proxy, attorney or representative.

### 8 Voting by joint Holders

- (a) If Notes are held jointly, the most senior Holder's vote either in person or by proxy is accepted to the exclusion of the other joint Holders.
- (b) The most senior Holder is the person whose name appears first on the Register.

# Appendix B

## Note Terms

### 9 Voting by corporation

- (a) A corporation who is a Holder may vote through a representative authorised in writing.
- (b) The corporation's representative is regarded as a Holder and has the same rights as a Holder.

### 10 Voting by person of unsound mind

If a Holder is of unsound mind or is a person whose person or estate is liable to be dealt with in any way under the law relating to mental health, the person who properly has the management of the Holder's estate may exercise any rights of the Holder in relation to a Meeting as if that person were the Holder.

### 11 Objection to voter's qualification

- (a) An objection may be raised to the qualification of a voter only at the Meeting where the vote objected to is given or tendered.
- (b) An objection must be referred to the chairperson whose decision is final.
- (c) The chairperson may consult with any representative of CBA present at the Meeting.
- (d) A vote allowed at a Meeting is valid for all purposes.

### 12 Proxies

A Holder is entitled to appoint another person as his proxy to attend and vote at a Meeting. Any person including a Holder may act as a proxy, and that proxy has the same rights as the appointor to vote whether on a show of hands, to speak, and be reckoned in the quorum.

### 13 Proxy instrument

- (a) If the appointer of a proxy is an individual, the instrument of appointment must be in writing and signed by the appointer or the appointer's attorney authorised in writing.
- (b) If the appointer of a proxy is a corporation, the instrument of appointment must be:
  - (1) under its common seal, or by two directors, or by a director and secretary; or
  - (2) under the hand of an officer or attorney who has been authorised by the corporation (and evidence to CBA's satisfaction of such authorisation must be provided).

### 14 Voting authority to be deposited with CBA

- (a) The instrument appointing a proxy or a facsimile copy of it and the original or certified copy of the power of attorney or authority under which it is signed or a facsimile copy of it must be deposited with CBA or CBA's agent at least 48 hours, or any shorter period determined by CBA from time to time, before the time appointed for the Meeting at which the proxy proposes to vote. The original of any facsimile instrument provided under this clause 14(a) of this Schedule must be deposited with CBA or CBA's agent before the time appointed for the Meeting.
- (b) If clause 14(a) of this Schedule is not complied with, the proxy is invalid.
- (c) An instrument appointing a proxy is only valid for 12 months from its execution date.

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## Note Terms

### 15 Effect of death or insanity on vote under proxy

- (a) A vote given under an instrument of proxy is valid even though the principal is insane at the time, has died or has revoked the proxy or the authority under which the proxy was executed.
- (b) Clause 15(a) of this Schedule does not apply if CBA has notice in writing of the death, insanity or revocation before the Meeting at which the proxy is to be used.

### 16 Adjournments

The chairperson may adjourn a Meeting with the consent of the majority of Holders present, and must do so if CBA so requires.

### 17 Declaration by chairperson of voting

Unless a poll has been demanded under clause 6 of this Schedule, a declaration by the chairperson that a resolution has been carried or lost by a particular majority is conclusive evidence of that fact.

### 18 Demand for a poll and manner of poll

- (a) A poll is to be conducted as directed by the chairperson at the Meeting or any adjournment of the Meeting.
- (b) The demand for a poll may be withdrawn by the person who demanded it.
- (c) The demand for a poll does not discontinue the Meeting except to decide the question for which the poll is demanded.
- (d) The result of the poll is regarded as the resolution of the Meeting.

### 19 Poll on election of chairperson or question of adjournment

A poll demanded on the election of a chairperson or on a question of adjournment must be taken immediately.

### 20 Effect of resolution and enforcement

If an Extraordinary Resolution is passed by Holders, all Holders will be bound by the Extraordinary Resolution, but CBA is not bound by any resolution unless it agrees to be so bound.

### 21 Minutes

- (a) The chairperson must ensure that minutes of proceedings at every Meeting of Holders are taken and entered in a minute book provided by CBA.
- (b) The signature by the chairperson of minutes of a Meeting is conclusive evidence of the matters stated in the minutes.
- (c) Unless there is proof to the contrary, a minuted Meeting is regarded as properly held and a resolution passed at the Meeting is regarded as properly passed.

### 22 Resolution in writing

- (a) An Extraordinary Resolution is passed by the Holders without holding a Meeting if:
  - (1) notice of the proposed resolution of Holders and of the Record Date in relation to the resolution is given to the Holders and, unless it is the person proposing the resolution, CBA;
  - (2) the Record Date specified falls not less than one Business Day after the date notice has been given as required by rule 22(a)(1) (Notification Date) and not more than five Business Days after notice has been given to any of the persons to whom notice is required to be given under that rule; and

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## Note Terms

- (3) within one month after the Notification Date, the Registrar has received evidence satisfactory to it that Holders representing more than 75% of the aggregate outstanding Face Value as at 5.00pm on the Record Date have executed a document containing a statement to the effect that the persons signing the document are in favour of the resolution.
- (b) A resolution passed under rule 22(a) is passed on the date on which the Registrar receives evidence satisfactory to it of the execution of the document by the last Holder evidence of whose execution is required to be received by the Registrar to cause the resolution to be passed.
- (c) Several documents in like form each sent to or executed by one or more Holders are taken to be the one document for the purposes of this rule 22.

### 23 Powers

The Holders at a Meeting may exercise the following powers by Extraordinary Resolution:

- (a) power to authorise CBA to take or to refrain from taking any action which may be taken by CBA under any express or implied power or authority howsoever conferred;
- (b) power to sanction the release of CBA from any obligation under the Note Terms either unconditionally or upon any conditions specified in the Extraordinary Resolution;
- (c) power to sanction agreement to any modification or compromise of any of the rights of all the Holders against CBA;
- (d) power to agree to the postponement of the repayment of the principal secured in respect of any part of the Notes beyond their due dates and to the suspension or postponement of the payment of interest on any part of the Notes;
- (e) power to authorise CBA to sanction on behalf of all the Holders any scheme for reconstruction of CBA or for the amalgamation of CBA with any other corporation (if and to the extent such sanction is required);
- (f) power to authorise CBA to accept on behalf of the Holders any other property or securities instead of any part of the Holder's rights and in particular any debt securities of CBA; and
- (g) power to give any release or waiver in respect of any breach or default by CBA.



# Appendix C

## Glossary

The following is a glossary of the terms used in this Prospectus.

# Appendix C

## Glossary

The following is a glossary of the terms used in this Prospectus. There is also a list of defined terms in the Preference Share Terms in Appendix A.

<b>ABN</b>	Australian Business Number.
<b>Acquisition Event</b>	An event that occurs in the circumstances summarised in Section 1.7.1 “What is an Acquisition Event?” and as defined in clause 1.1 of the Preference Share Terms.
<b>Acquisition Exchange Date</b>	The date on which Exchange as a result of an Acquisition Event is to occur.
<b>Acquisition Exchange Notice</b>	Has the meaning given in clause 1.1 of the Preference Share Terms.
<b>ADI</b>	The Bank or, following a Downstream NOHC Event, the “authorised deposit taking institution” (as defined in the Banking Act) which succeeds to the banking business of the Bank as a result of the Downstream NOHC Event.
<b>Allocation</b>	The number of PERLS V allocated to Successful Applicants. <b>Allocate</b> and <b>Allocated</b> have corresponding meanings.
<b>Allotment</b>	The issue of PERLS V to Successful Applicants. <b>Allot</b> and <b>Allotted</b> have corresponding meanings.
<b>ANZ Securities</b>	ANZ Securities Limited (ABN 16 004 997 111, AFSL 237531).
<b>Applicant</b>	A person who lodges an Application Form in accordance with this Prospectus.
<b>Application</b>	The lodgement of an Application Form in accordance with this Prospectus.
<b>Application Form</b>	The form which will be attached to or accompanying the Prospectus during the Offer Period (including an application form in the online Prospectus during the Offer Period available at <a href="http://www.comsec.com.au">www.comsec.com.au</a> ) for investors to apply for PERLS V under the Offer.
<b>Application Monies</b>	The monies payable on Application, being the product of the number of PERLS V applied for and the Application Price of \$200.
<b>Application Price</b>	\$200.
<b>APRA</b>	Australian Prudential Regulation Authority.
<b>APRA Event</b>	Has the meaning given in clause 1.1 of the Preference Share Terms.
<b>APRA Guidelines</b>	Standards, guidelines, policy statements and practice notes or other equivalent statements of APRA which are applicable to the ADI.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Assignment Event</b>	Has the meaning given in clause 5.1 of the Note Terms.
<b>Assignment Event Date</b>	Has the meaning given in clause 1.1 of the Note Terms.
<b>Assignment Prevention Optional Dividend</b>	A dividend paid by the Bank on the Preference Shares prior to an Assignment Event Date in an amount equal to the unpaid amount of Interest in the immediately preceding Interest Period, which may only be paid with APRA’s prior written approval.
<b>ASTC</b>	ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532).
<b>ASTC Settlement Rules</b>	The settlement rules of ASTC.
<b>ASX</b>	ASX Limited (ABN 98 008 624 691).
<b>ASX Listing Rules</b>	The listing rules of ASX and any other rules of ASX as they apply to the Bank.
<b>ASX Market Rules</b>	The operating rules of ASX each as amended or replaced, except to the extent of any written waiver granted by ASX.
<b>ASX Participating Organisation</b>	Has the meaning given to that term in the Business Rules of ASX.

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## Glossary

<b>Australian Financial Services Licence</b>	Has the meaning given to that term in the Corporations Act.
<b>Bank</b>	Commonwealth Bank of Australia (ABN 48 123 123 124).
<b>Bank Group</b>	The Bank and entities that the Bank has capacity to control.
<b>Bank Bill Swap Rate</b>	The average mid rate for bills of a term of 90 days (expressed as a percentage per annum) which average rate is displayed on the page of Reuters Monitor System designated “BBSW” (or any page which replaces that page) at 10.30am (Sydney Time) on the relevant date, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30am (Sydney Time) on that date, or, in the case of the Issue Date, if the first Distribution Period commences on the Issue Date and the period from the Issue Date to, but excluding, the first scheduled Distribution Payment Date is not equal to 90 days, the rate specified in good faith by the Bank at or around that time on that date having regard, to the extent possible, to comparable indices and rates then available.
<b>Bank Ordinary Share</b>	A fully paid ordinary share in the share capital of the Bank.
<b>Bank Ordinary Shareholder</b>	A registered holder of a Bank Ordinary Share.
<b>Bank Stopper Resolution</b>	A resolution of the Board not to pay in full any Distribution on a Distribution Payment Date.
<b>Banking Act</b>	<i>Banking Act 1959</i> (Cth).
<b>Basel II</b>	Basel II is the second of the Basel Accords, which are recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision. The purpose of Basel II is, amongst others, to improve the consistency of capital regulations internationally. The Basel II framework has been implemented in Australia from 1 January 2008 through APRA’s prudential standards.
<b>Board</b>	The board of directors of the Bank or a committee appointed by the board of directors of the Bank.
<b>Bookbuild</b>	The process conducted by the Joint Lead Managers as agents for the Bank to determine the Margin and Allocation of PERLS V to Institutional Investors, and to the Joint Lead Managers and participating brokers for Allocation to their Australian resident retail clients under the Broker Firm Offer.
<b>Broker Firm Allocation</b>	The number of PERLS V allocated to Successful Applicants under the Broker Firm Offer.
<b>Broker Firm Amount</b>	Means the number of PERLS V allocated on a firm basis to brokers to the Offer and, if applicable, the Joint Lead Managers, under the Bookbuild (and in the case of CommSec, includes any additional Broker Firm Amount agreed by the Bank and the Joint Lead Managers).
<b>Broker Firm Applicant</b>	An Applicant under the Broker Firm Offer.
<b>Broker Firm Offer</b>	The invitation made by the Bank pursuant to this Prospectus for Australian resident retail clients to apply for a Broker Firm Allocation of PERLS V from the brokers to the Offer.
<b>Business Day</b>	Has the meaning given to that term in the ASX Listing Rules.
<b>Capital Security</b>	Any equity, hybrid or subordinated debt security. <b>Capital Securities</b> has a corresponding meaning.
<b>CBA NOHC Ordinary Share</b>	A fully paid ordinary share in the capital of NOHC.
<b>CHESS</b>	Clearing House Electronic Subregister System.
<b>Citi</b>	Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832, AFSL 240992).

# Appendix C

## Glossary

<b>Closing Date</b>	The last day on which an Application will be accepted, expected to be 5.00pm (Sydney Time) 2 October 2009.
<b>CommSec</b>	Commonwealth Securities Limited (ABN 60 067 254 399, AFSL 238814).
<b>Constitution</b>	The constitution of the Bank.
<b>Conversion</b>	Has the meaning given in clause 1.1 of the Preference Share Terms. <b>Convert</b> and <b>Converted</b> have corresponding meanings.
<b>Conversion Conditions</b>	Each of the: <ul style="list-style-type: none"> <li>• First Conversion Condition;</li> <li>• Second Conversion Condition;</li> <li>• Third Conversion Condition; and</li> <li>• Fourth Conversion Condition.</li> </ul> <p>For the full definition see clause 5.3 of the Preference Share Terms.</p>
<b>Conversion Date</b>	The earlier of 31 October 2014 and the first Distribution Payment Date after 31 October 2014 on which the Conversion Conditions are satisfied.
<b>Conversion Number</b>	The number of Bank Ordinary Shares to be issued on Conversion of PERLS V as calculated in accordance with clause 8 of the Preference Share Terms.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Credit Suisse</b>	Credit Suisse (Australia) Limited (ABN 17 061 700 712, AFSL 226896).
<b>Default Event</b>	If any of the following occurs: <ul style="list-style-type: none"> <li>• the Bank ceases or suspends the conduct of all of its business;</li> <li>• a proceeding is commenced by the Bank or a person that controls the Bank for an order that the Bank be dissolved, wound-up or liquidated or for the appointment of a provisional liquidator, liquidator, receiver, receiver and manager, administrator, controller or similar official in respect of the Bank or all or substantially all of its property;</li> <li>• a proceeding is commenced by any other person for an order of a kind referred to in the preceding bullet point and is not dismissed within 30 Business Days of filing; or</li> <li>• a provisional liquidator, liquidator, receiver, receiver and manager, administrator, controller or similar official is appointed in respect of the Bank or all or substantially all of its property and such appointment is not revoked or set aside within 30 Business Days of such appointment.</li> </ul>
<b>Delisting Event</b>	In respect of a date, that: <ul style="list-style-type: none"> <li>• Bank Ordinary Shares have ceased to be listed or admitted to trading on ASX on or before that date; or</li> <li>• trading of Bank Ordinary Shares has been suspended for more than five consecutive Business Days, and is continuing as of that date.</li> </ul> <p>Refer to clause 1.1 of the Preference Share Terms for the full definition.</p>
<b>Deutsche Bank</b>	Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162, AFSL 238153).
<b>DF or Discount Factor</b>	The discount factor under clause 8.1 of the Preference Share Terms, which is equal to 1%.
<b>Distributable Profits</b>	In relation to a Distribution Payment Date, the lesser of Level 1 Distributable Profits and Level 2 Distributable Profits (or any other amount determined by APRA to be appropriate in the Bank's circumstances for the purposes of the Bank's Tier 1 Capital obligations).
<b>Distribution</b>	Interest as set out in clause 4 of the Note Terms, or after an Assignment Event Date, a Dividend as set out in clause 4 of the Preference Share Terms.

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## Glossary

<b>Distribution Payment Date</b>	<p>The date on which a Distribution is scheduled to be paid, which is:</p> <ul style="list-style-type: none"> <li>• 31 January, 30 April, 31 July and 31 October in each year; and</li> <li>• an Exchange Date,</li> </ul> <p>provided that the first scheduled Distribution Payment Date will not be earlier than 1 February 2010 as 31 January 2010 is not a Business Day.</p>
<b>Distribution Period</b>	<p>In respect of PERLS V:</p> <ul style="list-style-type: none"> <li>• for the first Distribution Period, the period from (and including) the Issue Date to (and excluding) the next Distribution Payment Date; and</li> <li>• all other circumstances, the period beginning from (and including) the preceding Distribution Payment Date to (and excluding) the next occurring Distribution Payment Date.</li> </ul>
<b>Distribution Rate</b>	<p>The percentage per annum calculated in accordance with the following formula:  <math>(\text{Market Rate} + \text{Margin}) \times (1 - \text{Tax Rate})</math>.</p>
<b>Dividend</b>	Dividends payable to Holders after an Assignment Event Date under the Preference Share Terms.
<b>Dividend Stopper</b>	The circumstances in which the Bank is restricted from paying dividends, distributions or other amounts on certain securities as set out in clause 4.10 of the Preference Share Terms.
<b>Downstream NOHC Event</b>	Has the meaning given in clause 1.1 of the Preference Share Terms.
<b>Eligible Securityholder</b>	A registered holder of PERLS II on 16 March 2009 or a registered holder of Bank Ordinary Shares, PERLS III or PERLS IV with a registered Australian address.
<b>Exchange</b>	<p>Any of the following:</p> <ul style="list-style-type: none"> <li>• in respect of an Exchange following the occurrence of an Acquisition Event: <ul style="list-style-type: none"> <li>– Conversion in accordance with and subject to clauses 7 and 8 of the Preference Share Terms; or</li> <li>– Repurchase in accordance with and subject to clauses 7 and 10 of the Preference Share Terms;</li> </ul> </li> <li>• otherwise: <ul style="list-style-type: none"> <li>– Conversion in accordance with and subject to clause 8 of the Preference Share Terms;</li> <li>– Repurchase in accordance with and subject to clause 10 of the Preference Share Terms; or</li> <li>– Resale in accordance with and subject to clause 9.</li> </ul> </li> </ul> <p>Refer to clause 1.1 of the Preference Share Terms for the full definition. <b>Exchanged</b> and <b>Exchangeable</b> have corresponding meanings.</p>
<b>Exchange Date</b>	<p>The date on which Exchange is to occur.</p> <p>Refer to clause 1.1 of the Preference Share Terms for the full definition.</p>
<b>Exchange Method</b>	Has the meaning given in clause 1.1 of the Preference Share Terms.
<b>Existing Capital Securities</b>	Has the meaning given in clause 1.1 of the Preference Share Terms.
<b>Expiry Date</b>	The date after which no further PERLS V will be issued or transferred on the basis of this Prospectus, which is 28 September 2010.
<b>Exposure Period</b>	The seven-day period (ASIC may extend the period by up to a further seven days) after this Prospectus is lodged with ASIC, during which time no Applications may be accepted.
<b>Face Value</b>	\$200.

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## Glossary

<b>First Conversion Condition</b>	Has the meaning given in clause 1.1 of the Preference Share Terms.
<b>Fourth Conversion Condition</b>	Has the meaning given in clause 1.1 of the Preference Share Terms.
<b>General Applicant</b>	An Applicant under the General Offer.
<b>General Offer</b>	The invitation made by the Bank pursuant to this Prospectus for Australian resident retail investors to apply for PERLS V.
<b>Goldman Sachs JBWere</b>	Goldman Sachs JBWere Pty Limited (ABN 21 006 797 897).
<b>HIN</b>	Holder Identification Number.
<b>Holder</b>	A person registered as the holder of PERLS V.
<b>Holding Statement</b>	A statement issued to Holders by the Registry which sets out details of their Allocation.
<b>Initial Conversion Date</b>	31 October 2014.
<b>Initial Holder</b>	Macquarie Group Holdings New Zealand Limited.
<b>Innovative Tier 1 Residual Capital</b>	At any time any equity, debt or other Capital Security so described by APRA (or other equivalent successor term).
<b>Institutional Investor</b>	An investor to whom an offer or invitation to invest in PERLS V can be made without the need for a Prospectus or other formal disclosure and are invited by the JLMs to participate in the Bookbuild.
<b>Institutional Offer</b>	The offer made to Institutional Investors under this Prospectus.
<b>Insufficient Distributable Profits Circumstance</b>	In relation to a Distribution Payment Date, the Distribution payable on that Distribution Payment Date exceeds Distributable Profits.
<b>Interest</b>	Has the meaning given in clause 4.1 of the Note Terms.
<b>Interest Payment Date</b>	Has the meaning given in clause 1.1 of the Note Terms.
<b>Interest Period</b>	Has the meaning given in clause 1.1 of the Note Terms.
<b>Investment Grade</b>	In capital markets, a security or debt obligation with a credit rating of “BBB–” or higher from Standard & Poor’s or “Baa3” or higher from Moody’s.
<b>Issue Date or Allotment Date</b>	The date on which Notes and Preference Shares are issued to the Initial Holder and PERLS V are transferred to Holders under this Prospectus, expected to be 14 October 2009.
<b>Issue Date VWAP</b>	The VWAP during the 20 Business Days on which trading in Bank Ordinary Shares took place immediately preceding (but not including) the Issue Date, subject to certain adjustments. Refer to clause 1.1 of the Preference Share Terms for the full definition.
<b>Joint Lead Managers</b>	Each of ANZ Securities, Citi, CommSec, Credit Suisse, Deutsche Bank, Goldman Sachs JBWere, JPMorgan, Macquarie, Morgan Stanley, National Australia Bank, RBS, UBS and Westpac.
<b>Joint Structuring Advisers</b>	Each of CommSec and Macquarie.
<b>JPMorgan</b>	J.P. Morgan Australia Limited (ABN 52 002 888 011, AFSL 238188).
<b>Level 1 Distributable Profits</b>	Has the meaning given in clause 1.1 of the Preference Share Terms and clause 1.1 of the Note Terms, as appropriate.
<b>Level 2 Distributable Profits</b>	Has the meaning given in clause 1.1 of the Preference Share Terms and clause 1.1 of the Note Terms, as appropriate.
<b>Level 1, Level 2 and Level 3</b>	Have the meaning determined in accordance with APRA Guidelines.

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## Glossary

<b>Link</b>	Link Market Services Limited (ABN 68 101 938 176).
<b>Macquarie</b>	Macquarie Capital Advisers Limited (ABN 79 123 199 548, AFSL 314416).
<b>Margin</b>	3.40% per annum.
<b>Market Rate</b>	For each Distribution Period, the Bank Bill Swap Rate on the first Business Day of that Distribution Period.
<b>Maximum Conversion Number</b>	Maximum Conversion Number means the number calculated in accordance with the following formula: $\frac{\$200 \text{ Face Value}}{0.5 \times \text{Issue Date VWAP}}$
<b>Moody's</b>	Moody's Investor Services, Inc.
<b>Morgan Stanley</b>	Morgan Stanley Australia Securities Limited (ABN 55 078 652 276).
<b>National Australia Bank</b>	National Australia Bank Limited (ABN 12 004 044 937).
<b>NOHC</b>	NOHC means the ultimate holding company of the Bank after an Upstream NOHC Event which must be a "non-operating holding company" within the meaning of the Banking Act.
<b>NOHC Event</b>	Has the meaning given in clause 1.1 of the Preference Share Terms.
<b>Non-Innovative Residual Tier 1 Capital</b>	At any time any equity, debt or other Capital Security so described by APRA (or other equivalent successor term).
<b>Note</b>	A subordinated unsecured note having the rights, powers and privileges set out in the Note Deed Poll (including the Note Terms).
<b>Note Deed Poll</b>	The deed poll entitled "PERLS V Note Deed Poll" given by the Bank, acting through its New Zealand branch, in favour of the Holders from time to time.
<b>Note Terms</b>	The terms of issue of the Notes as set out in Appendix B.
<b>Offer</b>	The invitation by the Bank to apply for PERLS V under this Prospectus comprising the Securityholder Offer, the General Offer, the Broker Firm Offer and the Institutional Offer.
<b>Offer Management and Subscription Agreement or OMSA</b>	The offer management and subscription agreement entered into between the Bank, the Initial Holder and the Joint Lead Managers dated 28 August 2009.
<b>Offer Period</b>	The period commencing on the Opening Date and ending on the Closing Date.
<b>Opening Date</b>	The first day the Offer opens, which is 7 September 2009.
<b>Optional Dividend</b>	In relation to any Distribution paid on a date, the amount of that Distribution that exceeds the Distribution (if any) scheduled to be paid on that date in accordance with clause 4.1 of the Preference Share Terms.
<b>Optional Exchange Conversion Conditions</b>	Means the conditions in clause 6.4 of the Preference Share Terms.
<b>Optional Exchange Events</b>	Means each of a Regulatory Event, Tax Event or NOHC Event. Refer to clause 1.1 of the Preference Share Terms.
<b>Payment Tests</b>	Tests to which the payment of a Distribution or an Optional Dividend is subject as set out in clause 4.3 of the Preference Share Terms and clause 4.4 of the Note Terms.
<b>PERLS II</b>	Perpetual Exchangeable Resettable Listed Securities issued by Commonwealth Managed Investments Limited as trustee of the PERLS II Trust under the product disclosure statement dated 2 December 2003.
<b>PERLS III</b>	Perpetual Exchangeable Repurchaseable Listed Shares issued by Preferred Capital Limited under the prospectus dated 3 March 2006.

# Appendix C

## Glossary

<b>PERLS IV</b>	Perpetual Exchangeable Resaleable Listed Securities issued by the Bank pursuant to a prospectus dated 1 June 2007.
<b>PERLS V</b>	Perpetual Exchangeable Resaleable Listed Securities, being the Stapled Securities prior to an Assignment Event Date, or a Preference Share after an Assignment Event Date, having the rights, powers and privileges set out in the Preference Share Terms and the Note Deed Poll (including the Note Terms), issued by the Bank pursuant to this Prospectus.
<b>Preference Share Terms</b>	The terms of issue of the Preference Shares as set out in Appendix A.
<b>Preference Shares</b>	The fully paid preference shares in the share capital of the Bank issued on the Preference Share Terms.
<b>Prospectus</b>	This document (including the electronic form of this Prospectus), and any supplementary or replacement Prospectus in relation to this document.
<b>Purchaser</b>	Has the meaning given in clause 1.1 of the Preference Share Terms.
<b>RBA</b>	Reserve Bank of Australia.
<b>RBS</b>	RBS Equity Capital Markets (Australia) Limited (ABN 17 000 757 111, AFSL 221950).
<b>Registry</b>	Link Market Services Limited (ABN 68 101 938 176) or any other registry that the Bank appoints to maintain the register.
<b>Regulatory Event</b>	An event that occurs in the circumstances summarised in Section 1.6.5 “What is a Regulatory Event” and as defined in clause 1.1 of the Preference Share Terms.
<b>Repurchase</b>	Means, in relation to a PERLS V, the Bank at its option redeeming, buying back or otherwise cancelling the PERLS V for its Face Value and <b>Repurchased</b> has a corresponding meaning.
<b>Resale</b>	The sale of PERLS V in accordance with clause 9 of the Preference Share Terms. <b>Resell</b> and <b>Resold</b> have corresponding meanings.
<b>Resale Notice</b>	Has the meaning given in clause 1.1 of the Preference Share Terms.
<b>Residual Tier 1 Capital</b>	At any time any equity, debt or other Capital Security so described by APRA (or other equivalent successor term).
<b>Risk Based Capital Ratio or Total Capital Ratio</b>	The ratio so described by APRA (or any equivalent successor term).
<b>RWA</b>	Risk Weighted Assets as described by APRA.
<b>Second Conversion Condition</b>	Has the meaning given in clause 1.1 of the Preference Share Terms.
<b>Securityholder Offer</b>	The invitation made by the Bank pursuant to this Prospectus under which Eligible Securityholders may apply for PERLS V on the terms set out in this Prospectus.
<b>Special Resolution</b>	Has the same meaning as in the Corporations Act.
<b>SRN</b>	Shareholder Reference Number.
<b>Standard &amp; Poor’s</b>	Standard & Poor’s (Australia) Pty Ltd ACN 007 324 852. <b>S&amp;P</b> has a corresponding meaning.
<b>Stapled Security</b>	The stapled security comprising a Preference Share stapled to a Note in accordance with clause 3 of the Preference Share Terms and clause 2 of the Note Terms.
<b>Substituted Issuer</b>	Has the meaning given in clause 1.1 of the Note Terms.
<b>Successful Applicant</b>	An applicant whose Application is accepted by the Bank, whether in part or in full.
<b>Sydney Time</b>	Time in Sydney, New South Wales, Australia.
<b>Tax Event</b>	An event that occurs in the circumstances summarised at Section 1.6.4 “What is a Tax Event?” and as defined in clause 1.1 of the Preference Share Terms.



# Appendix C

## Glossary

<b>Tax Rate</b>	The Australian corporate tax rate applicable at the relevant Distribution Payment Date, expressed as a decimal, and which for the period to the first Distribution Payment Date will be taken to be 0.30.
<b>Taxation Letter</b>	The taxation letter from Greenwoods & Freehills Pty Limited dated 28 August 2009 in Section 5 “Taxation Information”.
<b>TFN</b>	Tax File Number.
<b>Third Conversion Condition</b>	Has the meaning given in clause 1.1 of the Preference Share Terms.
<b>Tier 1 Capital</b>	Tier 1 so described by APRA (or any equivalent successor term).
<b>Tier 1 Capital Ratio</b>	The ratio so described by APRA (or any equivalent successor term).
<b>Total Capital</b>	Total Capital so described by APRA (or any equivalent successor term).
<b>UBS</b>	UBS AG, Australia Branch (ABN 47 088 129 613).
<b>Upstream NOHC Event</b>	Has the meaning given in clause 1.1 of the Preference Share Terms.
<b>Upstream NOHC Event Notice</b>	Has the meaning given in clause 1.1 of the Preference Share Terms.
<b>US Person</b>	Has the meaning found in Regulation S of the US Securities Act.
<b>US Securities Act</b>	The US Securities Act of 1933.
<b>VWAP</b>	The average of the daily volume weighted average prices of Bank Ordinary Shares traded on ASX during the relevant period or on the relevant days subject to any adjustments made under clauses 8.5 and 8.6 of the Preference Share Terms, but the trades taken into account in determining such daily volume weighted average prices shall not include any “crossing” transacted outside the “Open Session State” or any “Special Crossing” transacted at any time, each as defined in the ASX Market Rules, or any overseas trades or trades pursuant to the exercise of options over Bank Ordinary Shares.
<b>Westpac</b>	Westpac Banking Corporation (ABN 33 007 457 141, AFSL 233714).

# Application Forms

# Corporate Directory

## **Registered Head Office of the Bank**

Level 7, 48 Martin Place  
Sydney NSW 2000

## **Structuring Advisers, Joint Lead Managers and Joint Bookrunners**

Commonwealth Securities Limited  
Level 18, 363 George Street  
Sydney NSW 2000

Macquarie Capital Advisers Limited  
Level 9, No. 1 Martin Place  
Sydney NSW 2000

## **Joint Lead Managers and Joint Bookrunners**

ANZ Securities Limited  
Level 14, 100 Queen Street  
Melbourne VIC 3000

Citigroup Global Markets Australia Pty Limited  
Level 40, Citigroup Centre  
2 Park Street  
Sydney NSW 2000

Credit Suisse (Australia) Limited  
Level 31 Gateway  
1 Macquarie Place  
Sydney NSW 2000

Deutsche Bank AG, Sydney Branch  
Level 16, Deutsche Bank Place  
Corner Hunter and Phillip Streets  
Sydney NSW 2000

Goldman Sachs JBWere Pty Limited  
Level 42, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

J.P. Morgan Australia Limited  
Level 32, Grosvenor Place  
225 George Street  
Sydney NSW 2000

Morgan Stanley Australia Securities Limited  
Level 39, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

National Australia Bank Limited  
Level 26, NAB House  
255 George Street  
Sydney NSW 2000

RBS Equity Capital Markets (Australia) Limited  
RBS Tower  
88 Phillip Street  
Sydney NSW 2000

UBS AG, Australia Branch  
Level 16, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

Westpac Banking Corporation  
Level 3, Westpac Place  
275 Kent Street  
Sydney NSW 2000

## **Legal Adviser**

Freehills  
MLC Centre  
19-29 Martin Place  
Sydney NSW 2000

## **Tax Adviser**

Greenwoods & Freehills Pty Limited  
MLC Centre  
19-29 Martin Place  
Sydney NSW 2000

## **Share Registry**

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

