



Prospectus

# COMMBANK PERLS X CAPITAL NOTES

**Issuer** Commonwealth Bank of Australia ABN 48 123 123 124

**Date of Prospectus:** 15 March 2018

**Arranger**

Commonwealth Bank of Australia

**Joint Lead Managers**

Commonwealth Bank of Australia  
ANZ Securities Limited  
Morgan Stanley Australia Securities Limited  
Morgans Financial Limited  
Westpac Institutional Bank

**Co-Managers**

Crestone Wealth Management Limited  
Ord Minnett Limited  
Shaw and Partners Limited

# Important Notices

## Prospectus

This Prospectus relates to the offer by the Commonwealth Bank of Australia ABN 48 123 123 124 ("CBA") of CommBank PERLS X Capital Notes ("PERLS X") in Australia to raise A\$1.25 billion, with the ability to raise more or less ("Offer").

This Prospectus is dated 15 March 2018 and a copy was lodged with the Australian Securities and Investments Commission ("ASIC") on this date. This prospectus contains updated information on the Offer size and the Margin, and replaces the prospectus dated and lodged with ASIC on 7 March 2018 ("Original Prospectus"). 13 months after the date of the Original Prospectus this Prospectus will expire and no PERLS X will then be issued on the basis of this Prospectus.

ASIC and ASX Limited ("ASX") take no responsibility for the contents of this Prospectus or for the merits of investing in PERLS X.

This Prospectus does not provide information in relation to the credit ratings of CBA or PERLS X as the companies which provide ratings in relation to CBA may only disclose this information to certain investors under the terms of their Australian Financial Services Licences.

## Documents relevant to the Offer

In addition to this Prospectus, the following documents are relevant to the Offer and can be obtained from [www.commsec.com.au](http://www.commsec.com.au) during the Offer Period and from the Shareholder Centre at [www.commbank.com.au](http://www.commbank.com.au) after the Issue Date:

- the full terms of PERLS X (see Appendix A to this Prospectus);
- the Trust Deed (see Section 5.2 "Other documents relevant to the Offer"); and
- the Constitution (see Section 5.2 "Other documents relevant to the Offer").

In addition to reading this Prospectus in full, it is important that you read these documents in full before deciding to invest in PERLS X.

## Status of PERLS X

PERLS X are subordinated<sup>1</sup>, unsecured notes, issued by CBA.

Investments in PERLS X are an investment in CBA and may be affected by the ongoing performance, financial position and solvency of CBA. Investments in PERLS X are not deposit liabilities or protected accounts of CBA under the Banking Act and are not guaranteed or insured by any Australian government, government agency or compensation scheme.

Investments in securities such as PERLS X are subject to risks which could affect their performance, including loss of investment and income. CBA does not guarantee the market price of PERLS X or any particular rate of return.

Information about the risks of investing in PERLS X is detailed in Section 4 "Risks of CommBank PERLS X Capital Notes".

## No representations other than in this Prospectus

No person is authorised to provide any information or to make any representation in connection with the Offer that is not contained in this Prospectus, and you may not rely on any such information as having been authorised by CBA.

## Past performance information

The financial information provided in this Prospectus is for information purposes only and is not a forecast of future performance. Past performance and trends should not be relied upon as being indicative of future performance and trends.

## 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 considerations). It is important that you read this Prospectus in full before deciding to invest in PERLS X and consider the risks that could affect an investment in PERLS X.

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

## Obtaining a Prospectus and Application Form

Paper copies of this Prospectus and an Application Form can be obtained free of charge by registering online at [www.commsec.com.au](http://www.commsec.com.au), or by calling the PERLS X Information Line on 1300 794 935 (Monday to Friday 8.00am - 7.30pm, Sydney time) during the Offer Period.

This Prospectus can also be obtained electronically from [www.commsec.com.au](http://www.commsec.com.au). If you access an electronic copy of this Prospectus, the following conditions apply:

- the Prospectus is available to residents of Australia accessing and downloading, or printing, the electronic Prospectus in Australia;
- you must access and download the electronic Prospectus in full; and
- your Application will only be valid where you have completed an Application Form that was attached to, or accompanying, the electronic Prospectus. You may also apply by completing the online Application Form on [www.commsec.com.au](http://www.commsec.com.au). By lodging an Application, you declare that you were given access to the electronic Prospectus together with the Application Form.

## Restrictions on foreign jurisdictions

The distribution of this Prospectus and the Offer or sale of PERLS X may be restricted by law in certain jurisdictions. Persons who receive this Prospectus outside Australia must inform themselves about and observe all such restrictions. Nothing in this Prospectus is to be construed as authorising its distribution or the Offer or sale of PERLS X in any jurisdiction other than Australia and CBA does not accept any liability in that regard.

Furthermore, PERLS X may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material may be distributed or published, in any jurisdiction except under circumstances that will result in compliance with any applicable laws or regulations.

Restrictions applying to US Persons are outlined in Section 5.5 "US Persons".

## Defined words and expressions

Capitalised words have specific meanings and are defined in Section 7 "Glossary".

A reference to A\$ or Australian 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 unless otherwise stated.

**If you have any questions about PERLS X or the Offer, you should seek advice from your financial or other professional adviser. You can also call the PERLS X Information Line on 1300 794 935 (Monday to Friday 8.00am - 7.30pm, Sydney time) during the Offer Period. Applicants in the Broker Firm Offer may also call their Syndicate Broker.**

<sup>1</sup> Holders of PERLS X rank after holders of Senior Ranking Obligations, including creditors preferred by law and secured creditors. Your PERLS X rank equivalently to a preference share. See Section 2.6 "How will CommBank PERLS X Capital Notes rank in a winding up?"

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## Guidance for Retail Investors

### ASIC guidance for retail investors

ASIC has published guidance on hybrid securities on its MoneySmart website which may be relevant to your consideration of CommBank PERLS X Capital Notes. You can find this guidance by searching “hybrid securities” at [www.moneysmart.gov.au](http://www.moneysmart.gov.au).

The guidance includes a series of questions you should ask before you invest in hybrid securities, as well as a short quiz to check your understanding of how hybrids work, their features and risks.

### Where can I learn more about investing in bank hybrid securities?

CBA has developed an interactive module on bank hybrid securities which may assist you to better understand bank hybrid securities, their features and risks. It explains the different ways you may invest in a bank, including by depositing money or investing in securities issued by a bank.

The module is available at [www.commbank.com.au/about-us/shareholders/securities/bank-hybrid-securities-basics.html](http://www.commbank.com.au/about-us/shareholders/securities/bank-hybrid-securities-basics.html), and can be found by searching “hybrid securities basics” on [www.commbank.com.au](http://www.commbank.com.au).

### Where can I obtain further information about CBA and CommBank PERLS X Capital Notes?

CBA is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. In addition, CBA must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about CBA that a reasonable person would expect to have a material effect on the price or value of its securities including PERLS X.

Copies of documents lodged with ASIC can be obtained from, or inspected at, an ASIC office. They can also be obtained from [www.asx.com.au](http://www.asx.com.au), together with CBA's other ASX announcements.

In addition, the following information can be obtained from the Shareholder Centre at [www.commbank.com.au](http://www.commbank.com.au):

- CBA's half-yearly and annual financial reports;
- continuous disclosure notices lodged with ASX; and
- other general information provided to investors.

### Can I receive email notification of announcements or new information?

If you wish to receive an email when CBA announces or publishes certain new information about itself, you can register your details with the Registry after the Issue Date.

**Investments in CommBank PERLS X Capital Notes are an investment in CBA and may be affected by the ongoing performance, financial position and solvency of CBA. They are not deposit liabilities or protected accounts of CBA under the Banking Act.**

## Key dates for the Offer

Lodgement of Original Prospectus with ASIC	7 March 2018
Securityholder Offer Record Date	9 March 2018
Bookbuild	9 March 2018
Announcement of Margin	9 March 2018
Opening Date for the Offer and lodgement of this prospectus with ASIC	15 March 2018
Closing Date for the Offer	5.00pm (Sydney time) 29 March 2018
Issue Date	6 April 2018
Commencement of deferred settlement trading	9 April 2018
Despatch of Holding Statements	10 April 2018
Commencement of trading on normal settlement basis	11 April 2018

## Key dates for CommBank PERLS X Capital Notes

First Distribution Payment Date <sup>1</sup>	15 June 2018
Call Date	15 April 2025
Mandatory Exchange Date <sup>2</sup>	15 April 2027

### Note

- Distributions are scheduled to be paid quarterly in arrears on the Distribution Payment Dates (15 March, 15 June, 15 September and 15 December each year). Distributions are discretionary and subject to the distribution payment conditions being satisfied
- If the Mandatory Exchange Conditions are not satisfied on that date, then the Mandatory Exchange Date will be the first Distribution Payment Date after that date on which the Mandatory Exchange Conditions are satisfied

### Dates may change

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

Except as otherwise specified in the PERLS X Terms, if any of these dates are not Business Days and an event under the PERLS X Terms is stipulated to occur on that day, then the event will occur on the next Business Day.

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# Section ONE

## Investment Overview

- 1.1 What are the basic facts about CBA and CommBank PERLS X Capital Notes?
- 1.2 What are the key benefits and risks of CommBank PERLS X Capital Notes?
- 1.3 What is the Offer and how do I apply?

The following is an overview of CBA and the key features, benefits and risks of investing in CommBank PERLS X Capital Notes (“PERLS X”). Detailed information about each of these matters is provided in this Prospectus and it is important that you read this Prospectus in full before deciding to invest in PERLS X. If you have any questions, you should seek advice from your financial or other professional adviser.

## 1.1 What are the basic facts about CBA and CommBank PERLS X Capital Notes?

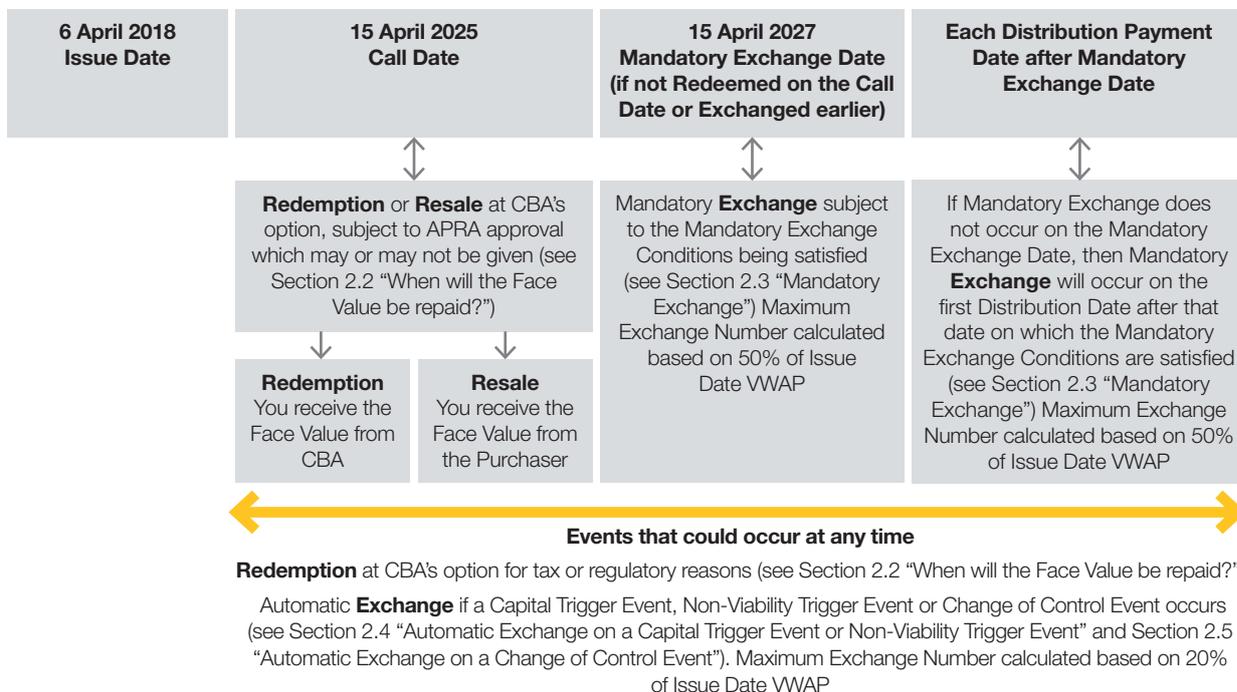
		<b>Further information</b>	<b>Page</b>
<b>Issuer</b>	Commonwealth Bank of Australia ABN 48 123 123 124 (“CBA”)  CBA is one of Australia’s leading providers of integrated financial services including retail, business and institutional banking, funds management, superannuation, insurance and broking services	Section 3 “Information About CBA”  For further information about CBA’s business strategy, see Section 3.2 “Businesses of CBA” and Section 3.3 “Business strategy of CBA”  For further information about the regulatory environment in which CBA operates, see Section 3.4 “Financial services industry regulatory environment”  For further information about CBA’s Directors, see Section 3.5 “Directors of CBA”  For further information about the management of the businesses of CBA, see Section 3.6 “Management of the businesses of CBA”  For financial information about CBA, see Section 3.8 “Financial information about CBA”	35  36, 37  37  38  38  39
<b>CommBank PERLS X Capital Notes (“PERLS X”)</b>	CommBank PERLS X Capital Notes, also referred to as PERLS X, are subordinated, unsecured notes issued by CBA  The PERLS X Terms are complex and include features to comply with the detailed regulatory capital requirements which the Australian Prudential Regulation Authority (“APRA”) applies to these securities	Appendix A “Terms of CommBank PERLS X Capital Notes”	79
<b>Offer size</b>	A\$1.25 billion, with the ability to raise more or less		
<b>Use of proceeds</b>	The Offer raises Tier 1 Capital to satisfy CBA’s regulatory capital requirements and maintain the diversity of CBA’s sources and types of funding. The net proceeds of the Offer will be used to fund CBA’s business	Section 3.8 “Financial information about CBA”	39

		Further information	Page
<b>Face Value</b>	Initial Face Value is A\$100 per PERLS X but may be reduced following a Capital Trigger Event or Non-Viability Trigger Event	Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 1.2, 4.1 and 4.2 and definition of Face Value	80, 82, 83, 95
<b>Term</b>	<p>PERLS X are perpetual, which means they have no fixed maturity date and if not Exchanged or Redeemed could remain on issue indefinitely (in which case you would not receive your investment back)</p> <p>CBA must Exchange PERLS X into Ordinary Shares on the Mandatory Exchange Date (subject to the Maximum Exchange Number and Mandatory Exchange Conditions), and may, at CBA’s option, Redeem PERLS X on the Call Date, or Exchange or Redeem PERLS X earlier on the occurrence of certain events (subject to APRA approval)<sup>1</sup></p>	Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 3, 4, 5 and 7	82, 85, 86
<b>Distributions</b>	<p>PERLS X are scheduled to pay floating rate Distributions quarterly until all PERLS X are Exchanged or Redeemed</p> <p>The Distribution Rate is calculated using the following formula:</p> <p><b>Distribution Rate =</b> <b>(Market Rate + Margin) x (1 – Tax Rate)</b></p> <p>Distributions are expected to be fully franked</p> <p>The first Distribution is scheduled to be paid on 15 June 2018</p> <p>Distributions are discretionary and subject to the distribution payment conditions being satisfied. This means a Distribution may not be paid. Distributions that are not paid do not accrue and will not be subsequently paid. Non-payment of a Distribution on the relevant Distribution Payment Date will not be an event of default and CBA will have no liability to Holders in respect of the unpaid Distribution</p> <p>No Distribution will be paid on Exchange where Exchange occurs due to a Capital Trigger Event or a Non-Viability Trigger Event</p>	<p>Section 2.1.1 “How are Distributions calculated on PERLS X?”</p> <p>Section 2.1.2 “How are Distributions paid on PERLS X?”</p> <p>Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 2</p>	18 20 81
<b>Margin</b>	<b>Margin</b> is 3.40% per annum		
<b>ASX quotation</b>	CBA has applied for quotation of PERLS X on ASX. It is expected that PERLS X will be quoted under code “CBAPG”	Section 6.3 “Issue and quotation of CommBank PERLS X Capital Notes”	71

<sup>1</sup> Approval is at the discretion of APRA and may or may not be given

### 1.1.1 Summary of events that may affect PERLS X

PERLS X do not have a fixed maturity date but may be Exchanged into Ordinary Shares, Redeemed or Resold. The diagram and table below summarise when these events could occur. If none of these events occur, PERLS X could remain on issue indefinitely and the Face Value will not be repaid.



Event	When could it occur?	Is APRA approval required? <sup>1</sup>	Do conditions apply?	What value will you receive?	How will that value be provided?	Further information
<b>Optional early Redemption by CBA</b>	15 April 2025	Yes	Yes <sup>2</sup>	Face Value (A\$100 based on the Initial Face Value)	Cash	Section 2.2 Appendix A "Terms of CommBank PERLS X Capital Notes" Clause 5.1
<b>Early Redemption by CBA for tax or regulatory reasons</b>	At any time if CBA is unable to frank Distributions, or for other tax or regulatory reasons	Yes	Yes <sup>2</sup>	Face Value (A\$100 based on the Initial Face Value)	Cash	Section 2.2 Appendix A "Terms of CommBank PERLS X Capital Notes" Clause 5
<b>Optional Resale</b>	15 April 2025	No	No	Face Value (A\$100 based on the Initial Face Value)	Cash <sup>3</sup>	Section 2.2 Appendix A "Terms of CommBank PERLS X Capital Notes" Clause 6

Event	When could it occur?	Is APRA approval required? <sup>1</sup>	Do conditions apply?	What value will you receive?	How will that value be provided?	Further information
<b>Mandatory Exchange</b>	15 April 2027 (if the Mandatory Exchange Conditions are satisfied) or the first Distribution Payment Date after the date on which the Mandatory Exchange Conditions are satisfied	No	Yes <sup>4</sup>	Approximately 1.01 x Face Value (A\$101 based on the Initial Face Value)	Variable number of Ordinary Shares, up to the Maximum Exchange Number	Section 2.3 Appendix A "Terms of CommBank PERLS X Capital Notes" Clauses 3 and 7
<b>Automatic Exchange</b>	At any time if a Capital Trigger Event or Non-Viability Trigger Event occurs	No	No	Depending on the price of Ordinary Shares at the time, Holders may receive significantly less than Face Value <sup>5</sup>	Variable number of Ordinary Shares, up to the Maximum Exchange Number  However, if CBA has not Exchanged PERLS X into Ordinary Shares at the relevant time, Holders' rights under the relevant PERLS X will be terminated. This will result in a Holder's investment losing all of its value - the Face Value will not be repaid and they will not receive any compensation	Section 2.4 Appendix A "Terms of CommBank PERLS X Capital Notes" Clauses 4 and 7
	If a Change of Control Event occurs	No	Yes <sup>6</sup>	Approximately 1.01 x Face Value (A\$101 based on the Initial Face Value)	Variable number of Ordinary Shares, up to the Maximum Exchange Number	Section 2.5 Appendix A "Terms of CommBank PERLS X Capital Notes" Clause 4.7

<sup>1</sup> APRA's approval may or may not be given

<sup>2</sup> CBA may only Redeem PERLS X if it replaces them with capital of the same or better quality or obtains confirmation that APRA is satisfied CBA does not need to replace PERLS X

<sup>3</sup> On optional Resale, Holders will receive a cash payment from a third party who will purchase PERLS X

<sup>4</sup> The Mandatory Exchange Conditions apply

<sup>5</sup> Holders are likely to receive significantly less than the Face Value if the Ordinary Share Price is less than 20% of the Issue Date VWAP (being CBA's share price at the time PERLS X are issued)

<sup>6</sup> The second and third Mandatory Exchange Conditions apply

### 1.1.2 Ranking of PERLS X in a winding up of CBA

Existing CBA obligations / securities <sup>1</sup>			
	<b>Higher ranking</b>	Secured debt	<ul style="list-style-type: none"> <li>Covered bonds</li> </ul>
		Liabilities preferred by law	<ul style="list-style-type: none"> <li>Liabilities in Australia in relation to protected accounts</li> <li>Other liabilities preferred by law including employee entitlements</li> </ul>
		Senior Ranking Obligations	<ul style="list-style-type: none"> <li>Deposits (other than protected accounts)</li> <li>Senior debt</li> <li>General unsecured creditors</li> <li>Tier 2 Capital</li> </ul>
		Equal Ranking Securities	<ul style="list-style-type: none"> <li><b>PERLS X<sup>2</sup></b></li> <li>PERLS IX, PERLS VIII, PERLS VII, PERLS VI<sup>2</sup></li> <li>Any preference shares or other subordinated unsecured debts<sup>3</sup></li> </ul>
	<b>Lower ranking</b>	Junior Ranking Securities	<ul style="list-style-type: none"> <li>Ordinary Shares</li> </ul>

<sup>1</sup> This is a simplified capital structure of CBA and does not include every type of security issued or that could be issued in the future by CBA. CBA could raise more debt or guarantee additional amounts at any time

<sup>2</sup> Ranking prior to Exchange

<sup>3</sup> Excluding Junior Ranking Securities

### 1.1.3 Differences between PERLS X and other types of investments in CBA

There are differences between savings accounts, term deposits, PERLS X and Ordinary Shares. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation considerations) before deciding to invest in PERLS X.

	Savings account	Term deposit	CommBank PERLS X Capital Notes	Ordinary Shares
<b>Guarantee under the Australian government Financial Claims Scheme<sup>1</sup></b>	Yes	Yes	No	No
<b>Term</b>	At call (usually)	One month to five years (usually)	Perpetual with the first possible Mandatory Exchange Date in nine years <sup>2</sup>	Perpetual (no maturity date)
<b>Distribution rate</b>	Variable (usually)	Fixed (usually)	Floating	Variable dividends are payable
<b>Distribution payment dates</b>	Monthly (usually)	End of term or per annum (usually)	Quarterly	Semi-annually
<b>Distributions are discretionary</b>	No	No	Yes	Yes
<b>Transferable</b>	N/A	No <sup>3</sup>	Yes – quoted on ASX <sup>4</sup>	Yes – quoted on ASX
<b>Ranking</b>	See Section 1.1.2 “Ranking of PERLS X in a winding up of CBA” and Section 2.6 “How will CommBank PERLS X Capital Notes rank in a winding up?”			

<sup>1</sup> The guarantee is provided for up to A\$250,000 deposited per person with each Australian authorised deposit-taking institution

<sup>2</sup> The Mandatory Exchange Date is 15 April 2027 or, if the Mandatory Exchange Conditions are not satisfied on that date, the first Distribution Payment Date after that date on which the Mandatory Exchange Conditions are satisfied. CBA also has the right, but not the obligation, to Redeem PERLS X on the Call Date or in the event of certain adverse tax or regulatory events, subject to APRA's consent (which may or may not be given)

<sup>3</sup> Can be withdrawn subject to conditions

<sup>4</sup> CBA has applied for PERLS X to be quoted by ASX and they are expected to trade under code “CBAPG”

## 1.2 What are the key benefits and risks of CommBank PERLS X Capital Notes?

### 1.2.1 Key benefits of PERLS X

<b>Floating Distributions</b>	PERLS X are scheduled to pay a floating Distribution Rate
<b>Quarterly Distributions</b>	PERLS X Distributions are scheduled to be paid quarterly in arrears
<b>Fixed Margin</b>	PERLS X pay a fixed Margin of 3.40% per annum
<b>Franked Distributions</b>	PERLS X Distributions are expected to be fully franked
<b>Listed on ASX</b>	PERLS X are expected to be listed on ASX and may be traded on ASX
<b>Diversification</b>	PERLS X provide investors an opportunity to diversify their investment portfolio

### 1.2.2 Key risks of PERLS X

You should read Section 4 “Risks of CommBank PERLS X Capital Notes” in full before deciding to invest. The risks outlined in that section include risks associated with PERLS X specifically and risks associated with CBA’s businesses which may affect PERLS X, including those summarised below. Many of these risks are outside the control of CBA.

		<b>Further information</b>	<b>Page</b>
<b>Risks associated with PERLS X specifically</b>			
<b>PERLS X are not deposit liabilities or protected accounts</b>	Investments in PERLS X are an investment in CBA and may be affected by the ongoing performance, financial position and solvency of CBA and other risks associated with CBA’s businesses. They are not deposit liabilities or protected accounts of CBA under the Banking Act	Section 4.2.1 “Investments in PERLS X are not deposit liabilities or protected accounts under the Banking Act”	52
<b>PERLS X are subordinated and unsecured</b>	Investments in PERLS X are subordinated and unsecured liabilities. In a winding up of CBA, there is a risk that you may lose some or all of the money you invested in PERLS X	Section 4.2.2 “Holders of PERLS X are subordinated and unsecured creditors”	52
<b>Distributions may not be paid</b>	Distributions are discretionary and subject to the distribution payment conditions being satisfied. Distributions that are not paid do not accrue and will not be subsequently paid	Section 4.2.3 “Distributions may not be paid”	52
<b>PERLS X may be Exchanged for Ordinary Shares</b>	PERLS X may be Exchanged for Ordinary Shares on the Mandatory Exchange Date (subject to the Maximum Exchange Number and Mandatory Exchange Conditions) or on another date if certain events occur. This includes if a Capital Trigger Event, Non-Viability Trigger Event or Change of Control Event occurs. There is a risk that on Exchange you may receive a number of Ordinary Shares with a value which is significantly less than the Face Value, including as a result of the application of the Maximum Exchange Number and of the market price for Ordinary Shares at the time you may sell your Ordinary Shares	Section 4.2.4 “PERLS X may be Exchanged for Ordinary Shares on the Mandatory Exchange Date or if certain events occur”	53

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<b>Ordinary Shares are a different type of investment to PERLS X</b>	Dividends are payable at the absolute discretion of CBA and the amount of each dividend is discretionary (not subject to a formula). In a winding up of CBA, claims of holders of Ordinary Shares rank behind claims of holders of all other securities and debts of CBA. In contrast, distributions on PERLS X are payable in accordance with the Terms and claims of PERLS X holders rank ahead of holders of Ordinary Shares	Section 4.2.4.4 “Consequences of holding Ordinary Shares”	54
<b>A failure to Exchange following a Capital Trigger Event or Non-Viability Trigger Event may cause you to lose your investment</b>	If a Capital Trigger Event or Non-Viability Trigger Event occurs and Exchange is not effective and CBA has not otherwise issued Ordinary Shares within 5 Business Days, then Holders’ rights under the relevant PERLS X will be terminated and such termination will be taken to have occurred immediately on the date of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event. Your investment in the relevant PERLS X will lose all of its value – the Face Value will not be paid and you will not receive any compensation. This could occur if CBA was prevented from issuing Ordinary Shares by circumstances outside its control, for example, if CBA was prevented by an applicable law or order of any court, or action of any government authority, from issuing Ordinary Shares	Section 4.2.5 “A Capital Trigger Event or Non-Viability Trigger Event may occur”	54
<b>PERLS X are perpetual and may not be Exchanged</b>	PERLS X may not be Exchanged on the scheduled Mandatory Exchange Date and you may continue to hold PERLS X indefinitely	Section 4.2.6 “PERLS X may not be Exchanged on the scheduled Mandatory Exchange Date”	55
<b>CBA has early Redemption rights</b>	CBA may Redeem PERLS X on the Call Date or at any time for tax or regulatory reasons, subject to APRA’s prior written approval. APRA’s approval may or may not be given	Section 4.2.7 “CBA may Redeem PERLS X if certain events occur”	55
<b>Holdings have no rights to request Exchange or Redemption</b>	You do not have a right to request that your PERLS X be Exchanged or Redeemed early	Section 4.2.8 “Holders do not have a right to request that their PERLS X be Exchanged or Redeemed early”	56
<b>CBA may issue additional securities</b>	CBA may raise more debt and issue further securities which rank equally with or ahead of PERLS X, whether or not secured	Section 4.2.9 “CBA may raise more debt and issue other securities”	56
<b>The Distribution Rate will fluctuate</b>	The Distribution Rate will fluctuate with changes in the Market Rate. There is a risk the Distribution Rate may become less attractive compared to returns on comparable securities or investments	Section 4.2.10 “The Distribution Rate will fluctuate”	56
<b>The market price will fluctuate</b>	The market price of PERLS X on ASX will fluctuate and you may lose some or all of the money you invested in PERLS X if you sell them	Section 4.2.11 “The market price of PERLS X will fluctuate”	56
<b>Liquidity may be low</b>	Liquidity of PERLS X on ASX may be low and you may not be able to sell your PERLS X at an acceptable price or at all	Section 4.2.12 “The liquidity of PERLS X may be low”	56

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<b>Risks associated with CBA's businesses which may affect PERLS X</b>			
<b>Regulatory and political environment</b>	CBA is subject to extensive regulation and political scrutiny, which may adversely impact CBA's operations or financial position	Section 4.3.1 "CBA is subject to extensive regulation and an environment of political scrutiny, which could adversely impact its operations and financial position"	57
<b>Litigation and regulatory action risk</b>	CBA may incur losses and experience business disruptions or reputational damage due to substantial legal proceedings or actions by regulators	Section 4.3.2 "CBA's business could be negatively impacted by substantial legal liability or regulatory action"	58
<b>Reputational damage</b>	CBA may be adversely affected by damage to its reputation among its stakeholders, including customers, investors and the community	Section 4.3.3 "CBA may be adversely affected by damage to its reputation"	58
<b>Global markets deteriorations</b>	CBA may be adversely affected either directly or indirectly by deteriorations in the global financial markets	Section 4.3.4 "CBA may be adversely affected by deteriorations in the global financial markets"	59
<b>Downturn in the Australian and New Zealand economy</b>	As a financial group whose core businesses are primarily located in Australia and New Zealand, the performance of CBA is dependent on the state of the Australian and New Zealand economies	Section 4.3.5 "CBA may be adversely impacted by a downturn in the Australian and New Zealand economy"	59
<b>Counterparty exposures</b>	CBA may incur losses associated with exposures to counterparties who default on their obligations to CBA	Section 4.3.6 "CBA may incur losses associated with counterparty exposures"	59
<b>Liquidity and funding risks</b>	CBA's liquidity and funding positions may be impacted by adverse financial market conditions, CBA's ability to maintain adequate levels of liquidity and funding and maintain credit ratings	Section 4.3.7 "CBA's results may be adversely affected by liquidity and funding risks"	59
<b>Capital adequacy risk</b>	CBA may not be holding sufficient capital to manage balance sheet growth and/or extreme stress	Section 4.3.8 "CBA may be adversely affected by capital adequacy risk"	60
<b>Market risks</b>	CBA is exposed to market risks, including potential losses arising from adverse changes in interest rates, foreign exchange rates, commodity and equity prices, credit spreads and drivers of derivative values	Section 4.3.9 "CBA may be adversely affected by market risks, including exchange rates"	60
<b>Operational risks</b>	CBA may incur losses due to operational risks	Section 4.3.10 "CBA may incur losses from operational risks"	60

		<b>Further information</b>	<b>Page</b>
<b>Compliance risks</b>	CBA's results may be impacted by penalties, sanctions or reputational damage from failure to comply with all applicable laws and regulations	Section 4.3.11 "CBA is subject to compliance risks, which could adversely impact its future results"	60
<b>Information security risks</b>	CBA could incur losses from cyber-attacks and data security breaches	Section 4.3.12 "CBA may be adversely impacted by information security risks, including cyber-attacks"	61
<b>Conduct risk</b>	CBA may incur losses due to an employee, contractor or external service provider not acting in accordance with regulations or CBA's policies, procedures or values	Section 4.3.13 "CBA may incur losses as a result of the inappropriate conduct of its staff"	61
<b>Human capital risk</b>	CBA may be unable to attract, develop, motivate and retain its people to meet current and future business needs	Section 4.3.14 "CBA may be adversely affected by human capital risk"	61
<b>Insurance risk</b>	Events that the CBA Group has provided insurance against may occur more frequently or with greater severity than anticipated	Section 4.3.15 "CBA may be adversely impacted by insurance risk"	61
<b>Strategic risks</b>	CBA's strategic initiatives may not always be successful	Section 4.3.16 "CBA's results could be adversely impacted by strategic risks"	61
<b>Investor activism</b>	CBA's operations could be adversely impacted by increasing levels of investor activism	Section 4.3.17 "CBA could be adversely impacted by investor activism"	61
<b>Competitive pressures</b>	CBA's performance may be adversely impacted by increasing competition, especially from non-Australian financial services providers, new non-bank entrants or smaller providers	Section 4.3.18 "CBA is subject to intense competition which may adversely affect its performance"	61
<b>Business acquisition and divestment</b>	Acquisitions or divestments may not achieve the expected benefits and may disrupt CBA's existing businesses	Section 4.3.19 "CBA's performance and financial position may be adversely affected by acquisitions or divestments of businesses"	62
<b>Climate change or catastrophic events</b>	CBA's businesses and customers may be adversely affected by the effects of climate change or catastrophic events	Section 4.3.20 "CBA could suffer losses due to climate change or catastrophic events"	62

### 1.3 What is the Offer and how do I apply?

		Further information	Page
<b>Offer structure</b>	The Offer comprises: <ul style="list-style-type: none"> <li>• a Broker Firm Offer; and</li> <li>• a Securityholder Offer</li> </ul>	Section 6 “How to Apply”	69
<b>Minimum Application for PERLS X</b>	Your Application for PERLS X must be for 50 PERLS X (A\$5,000), and thereafter in multiples of 10 PERLS X (A\$1,000)	Section 6.2.1 “Minimum Application”	70
<b>How to apply</b>	To apply for PERLS X, you must complete an Application Form and follow the instructions in Section 6 “How to Apply”	Section 6 “How to Apply”	69

If you have any questions about PERLS X or the Offer, you should seek advice from your financial or other professional adviser. You can also call the PERLS X Information Line on 1300 794 935 (Monday to Friday 8.00am – 7.30pm, Sydney time) during the Offer Period. Applicants in the Broker Firm Offer may also call their Syndicate Broker.

**Section ONE** Investment Overview *(continued)*

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Can4Cancer is part of the CommBank Foundation. Can4Cancer is an employee-led community initiative that raises vital funds for cancer research, support and prevention, in partnership with Tour de Cure



## Section TWO

### Information About CommBank PERLS X Capital Notes

- 2.1 Distributions on CommBank PERLS X Capital Notes
- 2.2 When will the Face Value be repaid?
- 2.3 Mandatory Exchange
- 2.4 Automatic Exchange on a Capital Trigger Event or Non-Viability Trigger Event
- 2.5 Automatic Exchange on a Change of Control Event
- 2.6 How will CommBank PERLS X Capital Notes rank in a winding up?
- 2.7 What else should I know about?
- 2.8 Summary of the key differences between CommBank PERLS X Capital Notes and other securities issued by CBA

**Section TWO** Information About CommBank PERLS X Capital Notes

The following is an overview of the key terms of CommBank PERLS X Capital Notes. It is important that you read this Prospectus, the Terms, Trust Deed and Constitution in full before deciding to invest in PERLS X. If you have any questions, you should seek advice from your financial or other professional adviser.

The full Terms are contained in Appendix A. Rights and liabilities attaching to PERLS X may also arise under the Corporations Act, ASX Listing Rules and other applicable laws.

**2.1 Distributions on CommBank PERLS X Capital Notes**

PERLS X are scheduled to pay floating rate Distributions quarterly until all PERLS X are Exchanged or Redeemed.

		Further information	Page
<b>2.1.1 How are Distributions calculated on PERLS X?</b>			

**Distribution Rate**

The Distribution Rate is calculated using the following formula:

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

where

**Market Rate** is the primary benchmark interest rate for the Australian money market, which is also known as the 90 day Bank Bill Swap Reference Rate (BBSW). It is the primary short-term rate used in the financial markets for the pricing and valuation of Australian dollar securities and as a lending reference rate. The Market Rate changes to reflect supply and demand within the cash and currency markets. The Market Rate for each Distribution Period is set on the first Business Day of the Distribution Period. The ASX Benchmarks Pty Limited is the BBSW rate administrator

**Margin** is 3.40% per annum

**Tax Rate** is the Australian corporate tax rate on the relevant Distribution Payment Date

Distributions are expected to be fully franked

The first Distribution is scheduled to be paid on 15 June 2018

Distributions are discretionary and subject to the distribution payment conditions being satisfied. Distributions that are not paid do not accrue and will not be subsequently paid. Non-payment of a Distribution will not be an event of default and CBA will have no liability to Holders in respect of the unpaid Distribution

Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 2

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Source: Bloomberg

Note: This chart shows historical movements in the Market Rate. Past levels are not necessarily indicative of future levels. Bloomberg has not consented to the use of this data in this Prospectus

		Further information	Page
<b>Calculation of Distributions</b>	The Distribution payable on each PERLS X for each Distribution Period is calculated using the following formula: <b>Distribution payable = Distribution Rate x Face Value x Number of days in the Distribution Period / 365</b> For example, if the Face Value was A\$100 (based on the Initial Face Value), the Market Rate was 1.92% per annum, the Margin was 3.40% per annum, the Australian corporate tax rate was 30% and the Distribution Period was 90 days in length, the Distribution for the relevant Distribution Period would be calculated as follows: <b>5.32% x (1 - 30%) x A\$100 x 90/365 = A\$0.9182 per PERLS X</b> This Distribution would be expected to be fully franked The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Distribution Rate for any Distribution Period. The actual Distribution payable may be higher or lower than this example The Face Value used in this example is the Initial Face Value but the Face Value could be reduced if a Capital Trigger Event or Non-Viability Trigger Event occurs CBA will announce to ASX the applicable Distribution Rate and the amount of the Distribution payable for each Distribution Period. Information about the Distribution Rate can also be obtained from ASX at <a href="http://www.asx.com.au">www.asx.com.au</a> and from the Shareholder Centre at <a href="http://www.commbank.com.au">www.commbank.com.au</a>	Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 2	81
	<b>Franking credits</b>	Distributions are expected to be fully franked If any Distribution is not fully franked for any reason, then that Distribution will be grossed up according to the formula in Clause 2.4 of the Terms	Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 2.4  For further information about the tax consequences of receiving Distributions, see Section 5.4 “Summary of Australian tax consequences for Holders”

		<b>Further information</b>	<b>Page</b>
<b>2.1.2 How are Distributions paid on PERLS X?</b>			
<b>Distribution Payment Dates</b>	<p>Distributions are scheduled to be paid quarterly in arrears on the following dates until all PERLS X have been Exchanged or Redeemed:</p> <ul style="list-style-type: none"> <li>• 15 March</li> <li>• 15 June</li> <li>• 15 September</li> <li>• 15 December</li> </ul> <p>If any of these scheduled dates is not a Business Day, then the payment is scheduled to be made on the next Business Day. If a payment is postponed, there is no adjustment to the amount of the Distribution payable. The first Distribution is scheduled to be paid on 15 June 2018</p>	Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 2.1 and 9.3 and definition of Distribution Payment Date	81, 90, 94
<b>Payments</b>	<p>Distributions are scheduled to be paid to Holders whose details are recorded with the Registry at 7.00pm on the Record Date</p> <p>Distributions and any other amount payable will be paid by electronic transfer to a bank account maintained in Australia with a financial institution nominated by you</p>	Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 9.1 and 9.4	90
<b>Distributions are subject to distribution payment conditions</b> <b>Dividend and capital restrictions may then apply to Ordinary Shares</b>	<p>Payment of a Distribution is subject to the following conditions:</p> <ul style="list-style-type: none"> <li>• CBA, in its absolute discretion, making the Distribution;</li> <li>• payment not resulting in a breach of CBA’s capital requirements as they are applied to the CBA Level 1 Group or the CBA Level 2 Group or both under APRA’s prudential standards;</li> <li>• payment not resulting in CBA becoming insolvent; and</li> <li>• APRA not otherwise objecting to the payment</li> </ul> <p>No Distribution will be paid on Exchange where Exchange occurs due to a Capital Trigger Event or a Non-Viability Trigger Event</p> <p>Distributions that are not paid do not accrue and will not be subsequently paid. Non-payment of a Distribution on the relevant Distribution Payment Date will not be an event of default and CBA will have no liability to Holders in respect of the unpaid Distribution. However, from that Distribution Payment Date and until a Distribution is paid in full on a subsequent Distribution Payment Date (or all PERLS X are Exchanged, Redeemed or otherwise terminated), CBA cannot (subject to certain exceptions):</p> <ul style="list-style-type: none"> <li>• declare or determine a dividend on Ordinary Shares; or</li> <li>• return any capital or undertake any buy-backs or repurchases in relation to Ordinary Shares</li> </ul>	Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 2.5, 2.6 and 2.7	81

## 2.2 When will the Face Value be repaid?

PERLS X are perpetual but CBA has the right to Redeem some or all PERLS X in certain circumstances.

		Further information	Page
<b>Optional early Redemption by CBA</b>	<p>CBA has the right to Redeem the following number of PERLS X in the following circumstances (subject to certain conditions, including prior written approval from APRA and CBA either replacing PERLS X with capital of the same or better quality or APRA being satisfied that CBA does not need to replace PERLS X):</p> <ul style="list-style-type: none"> <li>• on the Call Date (15 April 2025) – all or some PERLS X; or</li> <li>• at any time – all PERLS X for tax or regulatory reasons (described below)</li> </ul> <p>It should be noted that approval is at the discretion of APRA and may or may not be given</p> <p>On the Call Date or Redemption Date (as applicable), you will receive an amount equal to the Face Value for each of your PERLS X being Redeemed</p>	Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 5	85
<b>Early Redemption by CBA – for taxation reasons</b>	<p>A tax reason arises when:</p> <ul style="list-style-type: none"> <li>• as a result of a change in, or amendment to, laws of Australia, or any change in their application or official or judicial interpretation or administration (including any announcement of a prospective change or amendment which has been or will be introduced), other than a change or amendment expected by CBA as at the Issue Date, there is a material risk that CBA would not be able to frank Distributions; or</li> <li>• CBA receives an opinion from reputable legal counsel or other tax adviser that there is a material risk that as a result of a change in the laws of Australia, or any change in their application or official judicial interpretation, which change or amendment becomes effective on or after the Issue Date (including any announcement of a prospective change or amendment which has been or will be introduced) CBA would be required to pay an increased amount under Clause 9.6 of the Terms, or would be exposed to a more than de minimis adverse tax consequence in relation to PERLS X (other than a tax consequence expected by CBA as at the Issue Date)</li> </ul>	Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 5.2 and 5.3	85
<b>Early Redemption by CBA – for regulatory reasons</b>	<p>A regulatory reason arises when CBA determines that all or some PERLS X are not or will not be treated as Tier 1 Capital of the CBA Group under APRA’s prudential standards as a result of a change in the laws of Australia or a change in APRA’s prudential standards or guidelines, or any change in their application or official or judicial interpretation or administration (including following any announcement of a prospective change or amendment which has been or will be introduced) other than as a result of a change of treatment expected by CBA as at the Issue Date</p>	Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 5.4	86

		<b>Further information</b>	<b>Page</b>
<b>Resale on the Call Date</b>	CBA may elect that Resale occur in relation to all or some PERLS X on the Call Date (15 April 2025). If Resale occurs, your PERLS X will be purchased by a third party for a cash amount equal to their Face Value  The third party will be one or more parties selected by CBA in its absolute discretion	Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 6	86
<b>No early Exchange or Redemption rights for Holders</b>	You do not have a right to request that your PERLS X be Exchanged or Redeemed early for any reason  To realise your investment, you can sell your PERLS X on ASX at the prevailing market price	Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 5.7	86

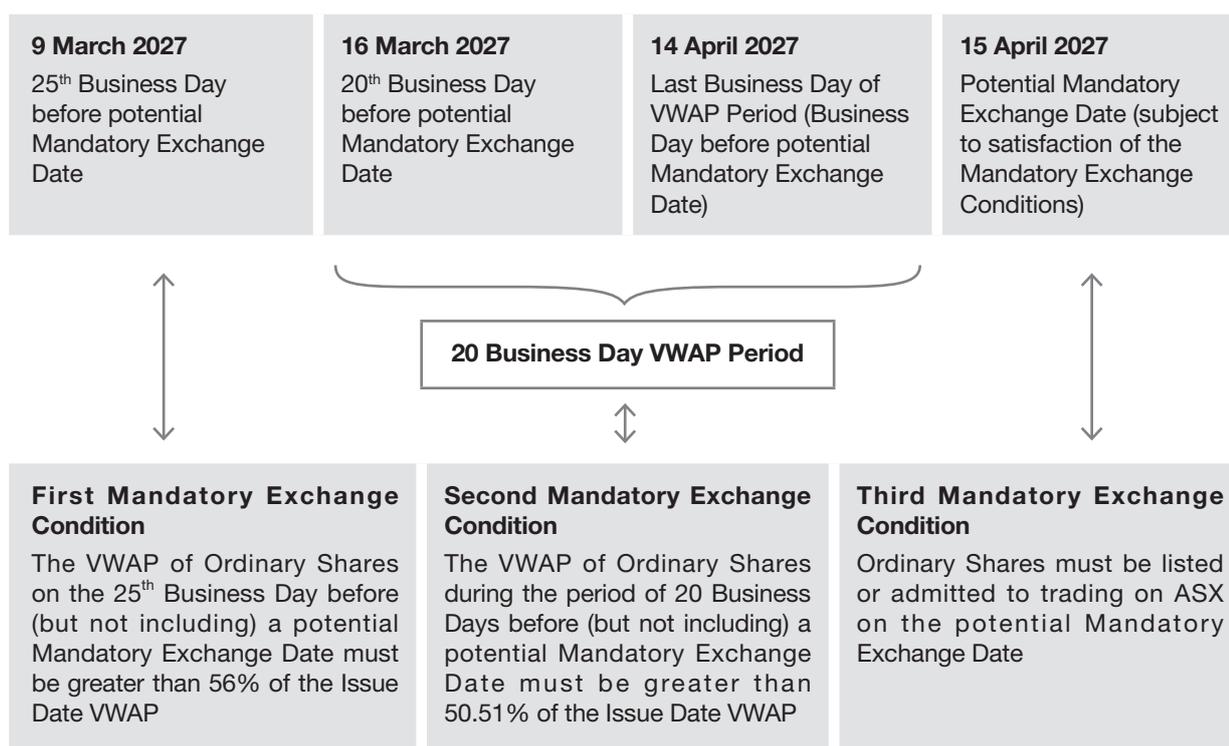
## 2.3 Mandatory Exchange

PERLS X do not have a maturity date but are scheduled to be Exchanged on the Mandatory Exchange Date.

		<b>Further information</b>	<b>Page</b>
<b>Mandatory Exchange Date</b>	The Mandatory Exchange Date is 15 April 2027 or, if the Mandatory Exchange Conditions are not satisfied on that date, the first Distribution Payment Date after that date on which the Mandatory Exchange Conditions are satisfied	Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 3	82
<b>Exchange on the Mandatory Exchange Date</b>	On the Mandatory Exchange Date (subject to the Maximum Exchange Number and Mandatory Exchange Conditions), you will receive for each of your PERLS X a variable number of Ordinary Shares with a value equal to A\$101.01 (based on the Initial Face Value and the VWAP of Ordinary Shares during the 20 Business Days before the Mandatory Exchange Date with the benefit of a 1% discount). The value of Ordinary Shares you receive could be less than this amount if the Face Value has previously been reduced (following a Capital Trigger Event or Non-Viability Trigger Event)  To realise the value of the Ordinary Shares, you can sell them on ASX at the prevailing market price	Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 3 and 7	82, 86
<b>Exchange Number</b>	CBA will issue to the Holder the Exchange Number of Ordinary Shares for each PERLS X held by a Holder  The Exchange Number is calculated according to the following formula and is subject to the Exchange Number being no greater than the Maximum Exchange Number:  <b>Face Value</b> <b>0.99 x VWAP</b>  Based on a Face Value of A\$100 (the Initial Face Value) and with the benefit of the 1% discount, this means that you will receive a variable number of Ordinary Shares with a value equal to A\$101.01. The value of Ordinary Shares you receive could be less than this amount if the Face Value has previously been reduced (following a previous Capital Trigger Event or Non-Viability Trigger Event) or if the Maximum Exchange Number applies	Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 4.1, 4.2 and 7.1	82, 83, 86

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<b>Maximum Exchange Number</b>	<p>The number of Ordinary Shares that you will receive will not be greater than the Maximum Exchange Number which is calculated according to the following formula:</p> $\frac{\text{Face Value}}{\text{Relevant Percentage} \times \text{Issue Date VWAP}}$ <p>The Relevant Percentage is 0.50 if Exchange is occurring on a Mandatory Exchange Date</p> <p>The Issue Date VWAP is the VWAP of Ordinary Shares during the 20 Business Days immediately preceding (but not including) the Issue Date for PERLS X</p> <p>For example, if the Face Value was A\$100 (based on the Initial Face Value) and the Issue Date VWAP was A\$77, the Maximum Exchange Number would be calculated as follows:</p> $\frac{\text{A\$100}}{(0.50 \times \text{A\$77})}$ <p><b>= 2.5974 Ordinary Shares per PERLS X</b></p> <p>The Maximum Exchange Number may limit you to receiving a number of Ordinary Shares with a value (measured over the period prior to Exchange) which is significantly less than the Face Value on Exchange. To provide some protection for Holders against this occurring, Exchange on a Mandatory Exchange Date will not occur unless the Mandatory Exchange Conditions are satisfied</p> <p>However, depending on the market price of Ordinary Shares at the time you may sell your Ordinary Shares, you may receive Ordinary Shares that are worth less than the Face Value, and may suffer loss as a consequence</p> <p>The Maximum Exchange Number will reduce if the Face Value has previously been reduced (following a previous Capital Trigger Event or Non-Viability Trigger Event)</p>	Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 3.2 and 7.1	82, 86
<b>VWAP</b>	<p>VWAP means the average of the daily volume weighted average prices of Ordinary Shares traded on ASX during the relevant period of 20 Business Days, subject to adjustments</p> <p>It is intended to calculate a fair price of Ordinary Shares which is used to calculate the Exchange Number and Maximum Exchange Number</p>	Appendix A “Terms of CommBank PERLS X Capital Notes” definition of VWAP	97

		Further information	Page
<b>Mandatory Exchange Conditions</b>	<p>Exchange will not occur unless all the Mandatory Exchange Conditions are satisfied. If Exchange does not occur, you will continue to hold your PERLS X until the first Distribution Payment Date after that date on which all the Mandatory Exchange Conditions are satisfied, at which time Exchange will occur</p> <p>The Mandatory Exchange Conditions are:</p> <ul style="list-style-type: none"> <li>• <b>First Mandatory Exchange Condition:</b> the VWAP of Ordinary Shares on the 25th Business Day before (but not including) a potential Mandatory Exchange Date is greater than 56% of the Issue Date VWAP. This takes the 1% discount for Exchange into account;</li> <li>• <b>Second Mandatory Exchange Condition:</b> the VWAP of Ordinary Shares during the period of 20 Business Days before (but not including) a potential Mandatory Exchange Date is greater than 50.51% of the Issue Date VWAP. This also takes the 1% discount for Exchange into account; and</li> <li>• <b>Third Mandatory Exchange Condition:</b> Ordinary Shares are listed or admitted to trading on ASX as at the Mandatory Exchange Date</li> </ul> <p>The First and Second Mandatory Exchange Conditions are intended to provide some protection for Holders against Exchange occurring when the price of Ordinary Shares has fallen to such a level that you would only receive the Maximum Exchange Number</p> <p>The Third Mandatory Exchange Condition is intended to provide protection to Holders to enable them to sell the Ordinary Shares they receive on ASX if they wish to do so</p> <p>The following diagram illustrates the timeframes that are relevant for the Mandatory Exchange Conditions, using the date of 15 April 2027 as a potential Mandatory Exchange Date. These dates are indicative only and may change</p>	<p>Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 3.1 and 3.2</p>	<p>82</p>



**What if I do not wish to receive Ordinary Shares or if I am prohibited or restricted from receiving Ordinary Shares?**

If you do not wish to receive Ordinary Shares, you can notify CBA of this at any time prior to the Exchange Date

If Exchange occurs and you have notified CBA that you do not wish to receive Ordinary Shares, or if you are an Ineligible Holder<sup>1</sup>, then CBA will issue the relevant number of Ordinary Shares to the Trustee who will hold the Ordinary Shares on trust for sale for your benefit<sup>2</sup>. At the first opportunity, the Trustee will arrange for the sale of the Ordinary Shares on your behalf and pay the proceeds less selling costs to you. No guarantee is given in relation to the timing or price at which any sale will occur

Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 7.10 88

## 2.4 Automatic Exchange on a Capital Trigger Event or Non-Viability Trigger Event

CBA must Exchange all, some or a percentage of each PERLS X if certain events occur.

<sup>1</sup> CBA will treat a Holder as not being an Ineligible Holder unless the Holder has notified CBA that it is an Ineligible Holder

<sup>2</sup> If, because the Holder is an Ineligible Holder, the Trustee is deemed to be an Ineligible Holder, then Ordinary Shares will be issued to the Trustee as soon as practicable after the Trustee ceases to be an Ineligible Holder. If Exchange is occurring because of the occurrence of a Capital Trigger Event or Non-Viability Trigger Event and the Exchange is not effective and CBA has not otherwise issued Ordinary Shares to the Trustee within 5 Business Days, then Holders’ rights under the relevant PERLS X will be terminated and such termination will be taken to have occurred immediately on the date of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event

		<b>Further information</b>	<b>Page</b>
<b>Automatic early Exchange – general</b>	<p>CBA must Exchange all or some PERLS X or a percentage of the Face Value of each PERLS X in the following circumstances:</p> <ul style="list-style-type: none"> <li>• if a Capital Trigger Event occurs; or</li> <li>• if a Non-Viability Trigger Event occurs</li> </ul> <p>The Mandatory Exchange Conditions do not apply</p> <p>On the Exchange Date (subject to the Maximum Exchange Number), you will receive for each of your PERLS X a variable number of Ordinary Shares with a value equal to A\$101.01 (based on the Initial Face Value of A\$100 and the VWAP of Ordinary Shares with the benefit of a 1% discount). The VWAP is based on the 5 Business Days before the Exchange Date</p> <p>The value of Ordinary Shares you receive could be less than this amount if only a percentage of the Face Value is being Exchanged, if the Face Value has previously been reduced (following a previous Capital Trigger Event or Non-Viability Trigger Event) or if the Maximum Exchange Number applies</p> <p>As a result of the application of the Maximum Exchange Number and depending on the market price of Ordinary Shares at the time you may sell your Ordinary Shares, you may receive Ordinary Shares that are worth significantly less than A\$101.01 per PERLS X (based on an Initial Face Value of A\$100), and may suffer a loss as a consequence</p> <p>To realise the value of the Ordinary Shares, you can sell them on ASX at the prevailing market price</p>	<p>Section 4.2.5 “A Capital Trigger Event or Non-Viability Trigger Event may occur”</p> <p>Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 4 and 7 and definition of VWAP</p>	<p>54</p> <p>82, 86, 97</p>
<b>Automatic early Exchange – Capital Trigger Event</b>	<p>A Capital Trigger Event occurs when:</p> <ul style="list-style-type: none"> <li>• CBA determines; or</li> <li>• APRA notifies CBA in writing that it believes, that either or both the CBA Level 1 Common Equity Tier 1 Capital Ratio or CBA Level 2 Common Equity Tier 1 Capital Ratio is equal to or less than 5.125%</li> </ul> <p>The Common Equity Tier 1 Capital Ratio is the ratio of CBA’s Common Equity Tier 1 Capital to its risk-weighted assets, where Common Equity Tier 1 Capital is the strongest form of capital held by CBA. CBA’s Level 2 Common Equity Tier 1 Capital Ratio was 10.4% as at 31 December 2017, which equates to a surplus of approximately A\$23.3 billion above the Capital Trigger Event level of 5.125%. CBA’s Level 1 Common Equity Tier 1 Capital Ratio was 11.1% as at 31 December 2017, which equates to a surplus of approximately A\$24.6 billion above the Capital Trigger Event level of 5.125%</p> <p>If a Capital Trigger Event occurs, CBA must immediately Exchange such number of PERLS X (or a percentage of the Face Value of each PERLS X) as is sufficient to return the relevant Common Equity Tier 1 Capital Ratio to above 5.125%</p>	<p>Section 3.8.1.2 “Capital Trigger Event”</p> <p>Section 4.2.5 “A Capital Trigger Event or Non-Viability Trigger Event may occur”</p> <p>Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 4.1, 4.3, 4.4, 4.5 and 4.6 and definitions of CBA Level 1 Common Equity Tier 1 Capital Ratio and CBA Level 2 Common Equity Tier 1 Capital Ratio</p>	<p>40</p> <p>54</p> <p>82, 84, 94</p>

		Further information	Page
<b>Automatic early Exchange – Non-Viability Trigger Event</b>	A Non-Viability Trigger Event occurs when APRA notifies CBA in writing that it believes:	Section 4.2.5 “A Capital Trigger Event or Non-Viability Trigger Event may occur”	54
	<ul style="list-style-type: none"> <li>• Exchange of all or some PERLS X (or the taking of an action in relation to other capital instruments of the CBA Group) is necessary because, without it, CBA would become non-viable; or</li> <li>• a public sector injection of capital, or equivalent support, is necessary because, without it, CBA would become non-viable</li> </ul> <p>If a Non-Viability Trigger Event occurs, CBA must immediately Exchange such number of PERLS X (or a percentage of the Face Value of each PERLS X) as specified by APRA or necessary to satisfy APRA that CBA will no longer be non-viable. In the case of a public sector injection of capital, or equivalent support, all PERLS X must be immediately Exchanged</p>	Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 4.2, 4.3, 4.4, 4.5 and 4.6	83, 84
<b>How does Exchange work upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event?</b>	<p>Upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event, CBA must immediately Exchange all or some PERLS X (or a percentage of the Face Value of each PERLS X). The Mandatory Exchange Conditions do not apply and the Terms provide that Exchange occurs automatically without the need for any further act or step by CBA and that CBA will recognise Holders as having been issued Ordinary Shares</p> <p>Any ASX trades in PERLS X that have not settled on the date a Capital Trigger Event or Non-Viability Trigger Event occurs will continue to settle in accordance with the normal ASX T+2 settlement, although the seller will be treated as having delivered, and the buyer will be treated as having acquired, the number of Ordinary Shares into which PERLS X have been Exchanged as a result of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event</p> <p>If Exchange is not effective and CBA has not otherwise issued Ordinary Shares within 5 Business Days, then Holders’ rights under the relevant PERLS X will be terminated and such termination will be taken to have occurred immediately on the date of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event. Your investment in the relevant PERLS X will lose all of its value and you will not receive any compensation. This could occur if CBA is prevented from issuing Ordinary Shares by circumstances outside its control, for example, if CBA is prevented by an applicable law or order of any court, or action of any government authority, from issuing Ordinary Shares</p>	<p>Section 4.2.5 “A Capital Trigger Event or Non-Viability Trigger Event may occur”</p> <p>Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 4.1, 4.2, 4.3, 4.5, 4.6 and 7.9</p>	54, 82, 83, 84, 88

		<b>Further information</b>	<b>Page</b>
<b>Exchange Number</b>	<p>CBA will issue the Exchange Number of Ordinary Shares for each PERLS X held by a Holder</p> <p>The Exchange Number is calculated according to the same formula that applies to Exchange on the Mandatory Exchange Date (see Section 2.3 “Mandatory Exchange”), but with the VWAP based on the 5 Business Days before the Exchange Date, and is subject to the Exchange Number being no greater than the Maximum Exchange Number</p> <p>The amount used as the Face Value in this calculation will only be the affected percentage of the Face Value required to be Exchanged and, if the full Face Value is not required to be Exchanged, you will continue to hold your PERLS X with a reduced Face Value</p>	<p>Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 4.1, 4.2 and 7.1</p>	<p>82, 83, 86</p>
<b>Maximum Exchange Number</b>	<p>The number of Ordinary Shares that you will receive will not be greater than the Maximum Exchange Number which is calculated according to the following formula:</p> <p style="text-align: center;"><b>Face Value</b></p> <hr/> <p style="text-align: center;"><b>Relevant Percentage x Issue Date VWAP</b></p> <p>The Relevant Percentage is 0.20 if a Capital Trigger Event or Non-Viability Trigger Event has occurred</p> <p>The Issue Date VWAP is the VWAP of Ordinary Shares during the 20 Business Days immediately preceding (but not including) the Issue Date for PERLS X</p> <p>For example, if the Face Value was A\$100 (based on the Initial Face Value) and the Issue Date VWAP was A\$77, the Maximum Exchange Number would be calculated as follows:</p> <p style="text-align: center;"><b>A\$100</b></p> <hr/> <p style="text-align: center;"><b>(0.20 x A\$77)</b></p> <p style="text-align: center;"><b>= 6.4935 Ordinary Shares per PERLS X</b></p> <p>The Maximum Exchange Number may limit you to receiving a number of Ordinary Shares with a value which is significantly less than the Face Value</p> <p>The Mandatory Exchange Conditions do not apply if a Capital Trigger Event or Non-Viability Trigger Event has occurred</p> <p>As a result of the application of the Maximum Exchange Number and depending on the market price of Ordinary Shares at the time you may sell your Ordinary Shares, you may receive Ordinary Shares that are worth significantly less than A\$101.01 per PERLS X (based on the Initial Face Value of A\$100), and may suffer loss as a consequence</p> <p>The Maximum Exchange Number will reduce if the Face Value has previously been reduced (following a previous Capital Trigger Event or Non-Viability Trigger Event)</p>	<p>Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 7.1</p>	<p>86</p>

		Further information	Page
<b>What if I do not wish to receive Ordinary Shares or if I am prohibited or restricted from receiving Ordinary Shares?</b>	If you do not wish to receive Ordinary Shares, you can notify CBA of this at any time prior to the Exchange Date and the same process outlined in Section 2.3 “Mandatory Exchange” will apply	Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 7.10	88

## 2.5 Automatic Exchange on a Change of Control Event

CBA must Exchange all PERLS X if certain events occur.

		Further information	Page
<b>Automatic early Exchange</b>	<p>CBA must Exchange all PERLS X if a Change of Control Event occurs, in respect of CBA</p> <p>A Change of Control Event occurs when:</p> <ul style="list-style-type: none"> <li>• a takeover bid for Ordinary Shares is made and certain conditions are satisfied; or</li> <li>• a scheme of arrangement is proposed and certain conditions are satisfied</li> </ul> <p>On the Exchange Date (subject to the Second and Third Mandatory Exchange Conditions and the Maximum Exchange Number, each as described below), you will receive for each of your PERLS X a variable number of Ordinary Shares with a value equal to A\$101.01 (based on the Initial Face Value of A\$100 and the VWAP of Ordinary Shares with the benefit of a 1% discount). The VWAP will be based on the 20 Business Days before the Exchange Date</p> <p>The value of Ordinary Shares you receive could be less than this amount if the Face Value has previously been reduced (following a previous Capital Trigger Event or Non-Viability Trigger Event)</p> <p>To realise the value of the Ordinary Shares, you can sell them on ASX at the prevailing market price</p>	Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 4.7 and 7.1	84, 86
<b>How does Exchange work upon the occurrence of a Change of Control Event?</b>	Upon the occurrence of a Change of Control Event, CBA must Exchange all PERLS X. The Second and Third Mandatory Exchange Conditions will apply with the modifications in Clause 4.7(c) of the Terms	Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 4.7	84
<b>Exchange Number</b>	<p>CBA will issue to the Holder the Exchange Number of Ordinary Shares for each PERLS X held by that Holder</p> <p>The Exchange Number is calculated according to the same formula that applies to Exchange on the Mandatory Exchange Date (see Section 2.3 “Mandatory Exchange”) and is subject to the Exchange Number being no greater than the Maximum Exchange Number</p>	Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 4.7 and 7.1	84, 86

		<b>Further information</b>	<b>Page</b>
<b>Maximum Exchange Number</b>	<p>The number of Ordinary Shares that you will receive will not be greater than the Maximum Exchange Number which is calculated according to the following formula:</p> $\frac{\text{Face Value}}{\text{Relevant Percentage} \times \text{Issue Date VWAP}}$ <p>The Relevant Percentage is 0.20 if a Change of Control Event has occurred</p> <p>The Issue Date VWAP is the VWAP of Ordinary Shares during the 20 Business Days immediately preceding (but not including) the Issue Date for PERLS X</p> <p>The Maximum Exchange Number may limit you to receiving a number of Ordinary Shares with a value (measured over the period prior to Exchange) which is significantly less than the Face Value on Exchange. To provide some protection for Holders against this occurring on Exchange due to a Change of Control Event, CBA will only Exchange PERLS X due to a Change of Control Event where the Second and Third Mandatory Exchange Conditions are satisfied</p> <p>However, depending on the market price of Ordinary Shares at the time you may sell your Ordinary Shares, you may receive Ordinary Shares that are worth less than the Face Value, and may suffer loss as a consequence</p> <p>The Maximum Exchange Number will reduce if the Face Value has previously been reduced (following a previous Capital Trigger Event or Non-Viability Trigger Event)</p>	Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 7.1	86
<b>What if I do not wish to receive Ordinary Shares or if I am prohibited or restricted from receiving Ordinary Shares?</b>	<p>If you do not wish to receive Ordinary Shares, you can notify CBA of this at any time prior to the Exchange Date and the same process outlined in Section 2.3 “Mandatory Exchange” will apply</p>	Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 7.10	88

## 2.6 How will CommBank PERLS X Capital Notes rank in a winding up?

PERLS X are subordinated, unsecured liabilities of CBA.

		Further information	Page
<b>No security</b>	PERLS X are not secured by any assets of CBA or its subsidiaries	Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 1.1	80
<b>Ranking in a winding up of CBA</b>	Senior Ranking Obligations are all deposits and other liabilities, securities and other obligations of CBA (other than Equal Ranking Securities or Junior Ranking Securities). In a winding up of CBA, your claim will rank after the claims of holders of Senior Ranking Obligations, including creditors preferred by law and secured creditors	Section 1.1.2 “Ranking of PERLS X in a winding up of CBA”	10
	Your claim will rank equally with claims of other Holders and holders of Equal Ranking Securities. This means your PERLS X rank equivalently to a preference share	Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 1.5	80
	Your claim will rank ahead of claims of holders of Junior Ranking Securities (being holders of Ordinary Shares)	For further information about the situation where a Capital Trigger Event or Non-Viability Trigger Event has occurred but CBA is not able to issue Ordinary Shares, see Section 2.4 “Automatic Exchange on a Capital Trigger Event or Non-Viability Trigger Event” and Section 4.2.5.3 “Consequences of the occurrence of a Capital Trigger Event or Non-Viability Trigger Event”	26, 55
	On Exchange, Holders will become holders of Ordinary Shares and rank equally with other holders of Ordinary Shares and could lose all of their investment on a winding up of CBA		

## 2.7 What else should I know about?

		Further information	Page
<b>No voting rights for Holders at CBA shareholder meetings</b>	You do not have a right to vote at meetings of shareholders of CBA	Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 1.8 and 12.2	80, 92
	You may vote at meetings for PERLS X Holders in accordance with the Trust Deed		
<b>Further issues of securities</b>	CBA has the right in its absolute discretion to issue additional Senior Ranking Obligations or Equal Ranking Securities which may rank ahead of or equally with PERLS X, whether or not secured. A holding of PERLS X does not confer any right to participate in further issues of securities by CBA	Section 4.2.9 “CBA may raise more debt and issue other securities”	56
		Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 1.5 and 1.8	80
<b>No set off</b>	CBA has no right to set-off amounts owing to Holders under PERLS X against amounts owing by Holders to CBA or any member of the CBA Group Holders have no right to set-off any amounts owed to CBA or other members of the CBA Group against amounts owing to Holders under PERLS X	Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 1.6	80

		<b>Further information</b>	<b>Page</b>
<b>Not guaranteed</b>	PERLS X are not deposit liabilities or protected accounts of CBA under the Banking Act. They are not guaranteed or insured by any Australian government, government agency or compensation scheme. No member of the CBA Group guarantees PERLS X and no member of the CBA Group, other than CBA, has any liability for PERLS X	Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 1.7	80
<b>Substitution</b>	<p>CBA may, in connection with a NOHC Event, without the consent of Holders but subject to APRA approval<sup>1</sup>, substitute a NOHC as the debtor under PERLS X and as the issuer of ordinary shares on Exchange by giving notice to the Holders and ASX (Full Successor). Alternatively, CBA may substitute a NOHC only as the issuer of ordinary shares (Partial Successor). Any substitution is subject to the NOHC expressly assuming the relevant obligations of CBA under the Terms and Trust Deed (including, in the instance of a Full Successor, the restrictions on paying Distributions and dividends on Ordinary Shares (with appropriate modifications)) and satisfying certain other conditions, including the quotation of the ordinary shares of the NOHC on a securities exchange. The substitution of a NOHC does not allow CBA to elect to Exchange PERLS X nor does it give you a right to request Exchange of your PERLS X</p> <p>Following substitution and prior to Exchange, you will continue to hold PERLS X. The NOHC will be required to deliver its own ordinary shares in all circumstances when CBA would otherwise have been required to deliver Ordinary Shares (including on Exchange) and to use reasonable endeavours to procure the quotation of those ordinary shares on the relevant securities exchange</p>	Appendix A “Terms of CommBank PERLS X Capital Notes” Clauses 2.5, 2.7 and 11	81, 90
<b>ASX quotation</b>	CBA has applied for quotation of PERLS X on ASX. It is expected that PERLS X will be quoted under code “CBAPG”	Section 6.3 “Issue and quotation of CommBank PERLS X Capital Notes”	71

<sup>1</sup> Approval is at the discretion of APRA and may or may not be given

		Further information	Page
<b>Trustee and Trust Deed</b>	<p>CBA has elected to appoint a trustee in connection with PERLS X. The Trustee is not appointed under a requirement in the Corporations Act (Chapter 2L) and the provisions of Chapter 2L do not apply</p> <p>The Trustee holds certain property and rights in relation to PERLS X on trust for Holders under the Trust Deed. In certain circumstances, the Trustee will act on behalf of Holders</p> <p>The Trustee holds on trust for the Holders the right to enforce any obligations of CBA under the Terms and Trust Deed. The Trustee will be entitled to take any action against CBA to enforce any obligations of CBA, subject to the Terms and Trust Deed. The Trustee must take action to enforce the Terms and Trust Deed if it has been directed to do so by the required majority of Holders (or the Terms otherwise oblige it to act), it is indemnified to its reasonable satisfaction, and is not restricted or prohibited from taking such action by any court order or law</p> <p>Holders will not be entitled to take any action to enforce any obligations of CBA under the Terms or Trust Deed unless the Trustee fails to do so within a reasonable period after becoming required to take that action in accordance with the Trust Deed. If the Trustee continues to fail to act, a Holder may, in the name of the Trustee and subject to the Terms and Trust Deed, take the required action to the same extent as the Trustee would have been entitled to do so</p>	Section 5.2.1 “Trust Deed”	64
<b>Governing law</b>	New South Wales, Australia	Appendix A “Terms of CommBank PERLS X Capital Notes” Clause 12.9	93

**If you have any questions about PERLS X or the Offer, you should seek advice from your financial or other professional adviser. You can also call the PERLS X Information Line on 1300 794 935 (Monday to Friday 8.00am - 7.30pm, Sydney time) during the Offer Period. Applicants in the Broker Firm Offer may also call their Syndicate Broker.**

## 2.8 Summary of the key differences between CommBank PERLS X Capital Notes and other securities issued by CBA

	CommBank PERLS X Capital Notes	Other securities issued by CBA			
		PERLS VI	PERLS VII	PERLS VIII	PERLS IX
<b>Issuer</b>	CBA	CBA	CBA	CBA	CBA
<b>Legal form</b>	Perpetual note	Perpetual note	Perpetual note	Perpetual note	Perpetual note
<b>Initial Face Value</b>	A\$100	A\$100	A\$100	A\$100	A\$100
<b>ASX code</b>	CBAPG <sup>1</sup>	CBAPC	CBAPD	CBAPE	CBAPF
<b>Margin</b>	3.40% per annum	3.80% per annum	2.80% per annum	5.20% per annum	3.90% per annum
<b>Quarterly distributions</b>	Floating rate, expected to be fully franked	Floating rate, expected to be fully franked	Floating rate, expected to be fully franked	Floating rate, expected to be fully franked	Floating rate, expected to be fully franked
<b>Call Date/Resale Date</b>	15 April 2025 <sup>2</sup>	15 December 2018 <sup>2</sup>	15 December 2022 <sup>2</sup>	15 October 2021 <sup>2</sup>	31 March 2022 <sup>2</sup>
<b>Exchange</b>	CBA must Exchange on 15 April 2027 if the Mandatory Exchange Conditions are satisfied	CBA must exchange for Ordinary Shares on 15 December 2020 if certain conditions are satisfied	CBA must exchange for Ordinary Shares on 15 December 2024 if certain conditions are satisfied	CBA must exchange for Ordinary Shares on 15 October 2023 if certain conditions are satisfied	CBA must exchange for Ordinary Shares on 31 March 2024 if certain conditions are satisfied
<b>CBA ordinary share price for first mandatory exchange condition</b>	56% of the Issue Date VWAP	\$31.41	\$44.03	\$42.28	\$47.09
<b>Capital Trigger Event</b>	Common Equity Tier 1 Capital Ratio equal to or less than 5.125%	Common Equity Tier 1 Capital Ratio equal to or less than 5.125%	Common Equity Tier 1 Capital Ratio equal to or less than 5.125%	Common Equity Tier 1 Capital Ratio equal to or less than 5.125%	Common Equity Tier 1 Capital Ratio equal to or less than 5.125%
<b>Non-Viability Trigger Event</b>	Yes	Yes	Yes	Yes	Yes
<b>Ranking in a winding up (assuming no Exchange)</b>	Ranks equivalent to a preference share	Ranks equivalent to a preference share	Ranks equivalent to a preference share	Ranks equivalent to a preference share	Ranks equivalent to a preference share

<sup>1</sup> CBA has applied for quotation of PERLS X on ASX. It is expected that PERLS X will be quoted under this code

<sup>2</sup> Call Date/Resale Date is two years prior to Mandatory Exchange Date

Each year the Clown Doctors reach more than 240,000 sick children and their families in major hospitals across Australia. We have been supporting the Clown Doctors since 1999



## Section THREE

### Information About CBA

- 3.1 Profile of CBA
- 3.2 Businesses of CBA
- 3.3 Business strategy of CBA
- 3.4 Financial services industry regulatory environment
- 3.5 Directors of CBA
- 3.6 Management of the businesses of CBA
- 3.7 Corporate governance of CBA
- 3.8 Financial information about CBA

### 3.1 Profile of CBA

CBA is one of Australia's leading providers of integrated financial services including retail, business and institutional banking, funds management, superannuation, insurance and broking services. CBA is one of the largest companies listed on ASX and had a market capitalisation of A\$136 billion as at 12 March 2018. CBA is an authorised deposit-taking institution ("ADI") regulated by the Australian Prudential Regulation Authority ("APRA") and other regulatory bodies. CBA conducts its operations primarily in Australia, New Zealand and the Asia Pacific region. It also operates in a number of other countries including the United Kingdom, the United States, China, Japan, Singapore, Hong Kong, Indonesia and South Africa.

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

You should focus on the financial position of CBA when deciding to invest in PERLS X. Investments in PERLS X are an investment in CBA and may be affected by the ongoing performance, financial position and solvency of CBA. They are not deposit liabilities or protected accounts of CBA under the Banking Act and therefore are not guaranteed or insured by any Australian government, government agency or compensation scheme.

CBA is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules, including an obligation to lodge half-yearly and annual financial reports with ASIC and ASX. Copies of these and other documents lodged with ASIC can be obtained from, or inspected at, an ASIC office. They can also be obtained from [www.asx.com.au](http://www.asx.com.au), together with CBA's other ASX announcements.

### 3.2 Businesses of CBA

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

- **Retail Banking Services**

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

- **Business and Private Banking**

Business and Private Banking provides specialised banking services to relationship managed business and agribusiness customers, private banking to high

net worth individuals, and margin lending and trading through CommSec.

- **Institutional Banking and Markets**

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

- **Wealth Management**

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

On 21 September 2017, CBA announced the sale of 100% of its life insurance businesses in Australia ("Commlnure Life") and New Zealand ("Sovereign") to AIA Group Limited (AIA) for A\$3.8 billion. The sale agreement also includes a 20-year partnership with AIA for the provision of life insurance products to customers in Australia and New Zealand. The transaction is subject to certain conditions and regulatory approvals in Australia and New Zealand, and is also conditional upon the transfer of CBA's equity interest in BoCommLife Insurance Company Limited ("BoCommLife") out of Commlnure Life. The transaction is expected to be completed in calendar year 2018.

On 21 September 2017, CBA announced that it is undertaking a strategic review of its global asset management business, Colonial First State Global Asset Management. The strategic review will consider a range of options, including an initial public offering.

- **New Zealand**

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

As outlined above, CBA has entered into an agreement to sell Sovereign to AIA.

- **Bankwest**

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

- **International Financial Services ("IFS") and other divisions**

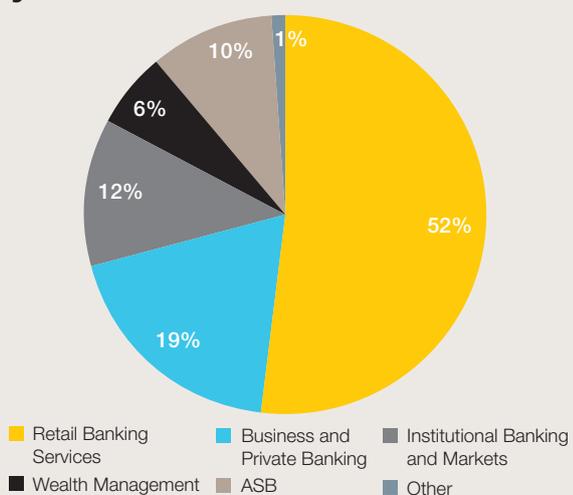
The following parts of the business are included in IFS and other divisions:

- o IFS incorporates the Asian retail and business banking operations (Indonesia, China and Vietnam), associate investments in China and Vietnam, the life insurance operations in Indonesia

and a financial services technology business in South Africa. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management businesses in Asia.

- o Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Marketing, Group Corporate Affairs and Treasury.

### Business contribution to CBA's net profit after tax<sup>1</sup> for the half year ended 31 December 2017



<sup>1</sup> Presented on a continuing operations cash basis and is adjusted to exclude a \$375 million expense provision in relation to the AUSTRAC proceedings

### 3.3 Business strategy of CBA

CBA's strategy is firmly anchored to CBA's vision to 'excel at securing and enhancing the financial wellbeing of people, businesses and communities'.

Putting customers first is CBA's strategic priority. To support this customer focus, CBA invests in four key capabilities:

- People – our people are central to CBA's success and to securing our stakeholders' trust. CBA strives to be an employer of choice and is fully committed to improving the diversity and safety of employees.
- Technology – CBA applies world-class technologies to meet the ever-evolving needs of customers, communities and its people, delivering what matters to provide the best value.
- Productivity – CBA continuously simplifies and standardises the way we do things to achieve better outcomes for CBA's customers and people, and to give CBA the ability to invest in the future.
- Financial strength – CBA's strength lies in its consistent performance, deep expertise in financial and risk management, and long-term operational stability.

Further details and examples of strategic initiatives can be found in the Annual Report 2017, available from the Shareholder Centre at [www.commbank.com.au/investors/annual-report.html](http://www.commbank.com.au/investors/annual-report.html).

### 3.4 Financial services industry regulatory environment

There is currently an environment of heightened political scrutiny on the Australian financial services industry and CBA faces extensive regulation. This poses regulatory and reputational challenges to CBA. CBA recognises that customers' and the community's trust are its greatest asset and is focussed on rebuilding that trust. CBA is committed to investment in strengthening operational standards and compliance.

In August 2017, the Australian Transaction Reports and Analysis Centre ("AUSTRAC") commenced proceedings against CBA in the Federal Court of Australia in relation to alleged contraventions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth). On 7 February 2018, in the Profit Announcement for the half year ended 31 December 2017, CBA reported that the Group has provided for a civil penalty in the amount of \$375 million in respect of these proceedings. A \$200 million expense provision was also taken for expected costs relating to currently known regulatory, compliance and remediation program costs, including legal costs.

The risks to CBA's business from regulatory matters, litigation and reputational damage are outlined in Sections 4.3.1 ("CBA is subject to extensive regulation and an environment of political scrutiny, which could adversely impact its operations and financial position"), 4.3.2 ("CBA's business could be negatively impacted by substantial legal liability or regulatory action") and 4.3.3 ("CBA may be adversely affected by damage to its reputation"). Examples of some current matters are described below.

#### (i) AUSTRAC and related proceedings

In addition to the civil penalty proceedings brought by AUSTRAC relating to alleged past and ongoing contraventions by the Group of its financial crimes obligations, CBA is also subject to a related shareholder class action proceeding (commenced on 9 October 2017) and may in the future be subject to additional Australian or international regulatory actions, litigation, investigations and governmental proceedings relating to financial crimes compliance.

#### (ii) ASIC investigation

On 11 August 2017, following the commencement of the civil proceedings against CBA by AUSTRAC, ASIC confirmed it would investigate, among other things, whether the officers and directors of CBA complied with their continuous disclosure obligations under the Corporations Act in relation to the subject matter of the proceedings. CBA continues to engage with ASIC in respect of the investigation and respond to requests made by ASIC.

(iii) APRA inquiry

On 28 August 2017, APRA announced a prudential inquiry in relation to the governance, structure and accountability frameworks and practices within the Group. The inquiry will consider the Group's governance, culture and accountability in the context of sound risk management and compliance outcomes. An independent inquiry panel has been appointed by APRA and published a progress report on 1 February 2018. The panel is expected to provide a final report by 30 April 2018.

(iv) ASIC Bank Bill Swap Rate proceedings

On 30 January 2018, as part of the industry wide review into the trading activities of participants in the bank bill market, ASIC filed a claim against CBA. ASIC alleges that CBA engaged in market manipulation and unconscionable conduct in relation to the Bank Bill Swap rate (BBSW) between January 2012 and around October 2012. CBA disputes the allegations. CBA has fully cooperated with ASIC's investigations over the last two years.

(v) The Royal Commission

On 14 December 2017, the Governor-General established the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry ("Royal Commission"), appointed the Honourable Kenneth Hayne AC QC as the Commissioner, and outlined the official Terms of Reference. Among other things, the Royal Commission will inquire into misconduct by financial services entities. CBA will continue to monitor developments in relation to, and will fully cooperate with, the Royal Commission.

(vi) Other industry-wide regulatory reforms and political developments

Other industry-wide regulatory reforms and political developments include the Productivity Commission Inquiry into Competition in the Australian Financial System, Banking Executive Accountability Regime, the Australian Competition and Consumer Commission ("ACCC") Inquiry into residential mortgage pricing and the major bank levy (refer to Section 4.3.1 "CBA is subject to extensive regulation and an environment of political scrutiny, which could adversely impact its operations and financial position").

Further detail on the matters described in this Section 3.4 are included in Note 7.2 to the Financial Statements in the Profit Announcement for the half year ended 31 December 2017.

**The Profit Announcement for the half year ended 31 December 2017 is available from the Shareholder Centre at [www.commbank.com.au/about-us/shareholders/financial-information/results.html](http://www.commbank.com.au/about-us/shareholders/financial-information/results.html).**

## 3.5 Directors of CBA

The CBA Board of Directors are:

- Catherine Livingstone AO, Chairman
- Ian Narev, Managing Director and Chief Executive Officer
- Shirish Apte
- Sir David Higgins
- Brian Long
- Andrew Mohl
- Mary Padbury
- Wendy Stops
- Anne Templeman-Jones
- Robert Whitfield

On 29 January 2018, CBA announced that Matt Comyn will be CBA's new Managing Director and Chief Executive Officer, effective 9 April 2018. Matt will replace Ian Narev, who retires on 8 April 2018.

On 5 March 2018, CBA announced that Brian Long and Andrew Mohl will retire at the conclusion of the 2018 Annual General Meeting.

**The Board's role and responsibilities are set out in the Board Charter. The Board Charter and further information on the Directors can be found at [www.commbank.com.au/corporategovernance](http://www.commbank.com.au/corporategovernance).**

## 3.6 Management of the businesses of CBA

The senior managers of the businesses of CBA include:

- Ian Narev, Managing Director and Chief Executive Officer, CBA
- Kelly Bayer Rosmarin, Group Executive, Institutional Banking and Markets
- Adam Bennett, Group Executive, Business and Private Banking
- David Cohen, Group Chief Risk Officer
- Matt Comyn, Group Executive, Retail Banking Services
- Rob Jesudason, Group Executive, Financial Services and Chief Financial Officer
- Coenraad Jonker, Group Executive, International Financial Services
- Melanie Laing, Group Executive, Human Resources
- Anna Lenahan, Group General Counsel and Group Executive, Group Corporate Affairs
- Vittoria Shortt, Chief Executive Officer, ASB
- David Whiteing, Group Executive, Enterprise Services, and Chief Information Officer

On 29 January 2018, CBA announced that Matt Comyn will be CBA's new Managing Director and Chief Executive Officer, effective 9 April 2018. Matt will replace Ian Narev, who retires on 8 April 2018. CBA has commenced a process to identify Matt Comyn's replacement as Group Executive, Retail Banking Services.

On 15 December 2017, the Board of ASB appointed CBA Group Executive Marketing and Strategy, Vittoria

Shortt, as ASB Chief Executive Officer. ASB is a wholly owned subsidiary of CBA. Vittoria commenced at ASB in early February 2018, replacing Barbara Chapman. CBA has commenced a process to identify Vittoria Shortt's replacement.

**Further information about CBA's management can be found in the section entitled "Our Company" at [www.commbank.com.au/about-us/who-we-are/our-company.html](http://www.commbank.com.au/about-us/who-we-are/our-company.html).**

### 3.7 Corporate governance of CBA

CBA Group is committed to high standards of corporate governance and has a corporate governance framework which supports its long-term performance and sustainability, and protects and enhances shareholder and other stakeholder interests. CBA regularly reviews its corporate governance arrangements and practices to ensure they reflect developments in regulation, market practice and stakeholder expectations. CBA has followed the recommendations set out in the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

**Further information about CBA's governance arrangements and practices can be found at [www.commbank.com.au/corporategovernance](http://www.commbank.com.au/corporategovernance).**

### 3.8 Financial information about CBA

You should focus on the financial position of CBA when deciding to invest in PERLS X.

CBA's consolidated income statements and balance sheets for the half years ended 31 December 2017 and 30 June 2017 and full years ended 30 June 2017 and 30 June 2016 are summarised in Sections 3.8.4 "Consolidated Income Statement" and 3.8.5 "Consolidated Balance Sheet".

The financial information presented in this section has been presented in abbreviated form. It does not contain all of the disclosures usually provided in an annual report or half year financial report prepared in accordance with the Corporations Act. In particular, the consolidated income statement and consolidated balance sheet have been extracted from the Profit Announcement for the half year ended 31 December 2017 and the Annual Report 2017.

**The Profit Announcement for the half year ended 31 December 2017 and the Annual Report 2017 are available from the Shareholder Centre at [www.commbank.com.au/about-us/shareholders/financial-information/results.html](http://www.commbank.com.au/about-us/shareholders/financial-information/results.html) and [www.commbank.com.au/investors/annual-report.html](http://www.commbank.com.au/investors/annual-report.html).**

#### 3.8.1 Capital adequacy

##### 3.8.1.1 Capital generally

CBA is an ADI regulated by APRA and other regulatory bodies. APRA generally follows the principles for banking supervision developed by the Basel Committee on Banking Supervision ("BCBS").

Under the principles known as "Basel I", "Basel II" and "Basel III", an ADI is currently required to hold a certain level of regulatory capital against its risk-weighted assets in order for such capital to absorb losses which an ADI may incur from time to time, and therefore protect depositors from realising such losses.

Common Equity Tier 1 Capital comprises ordinary share capital, retained earnings and certain other items recognised as capital, less prescribed deductions. The ratio of such capital to risk-weighted assets is called the Common Equity Tier 1 Capital Ratio.

Tier 1 Capital comprises Common Equity Tier 1 Capital plus certain equity-like securities (such as PERLS X). The ratio of such capital to risk-weighted assets is called the Tier 1 Capital ratio.

Tier 2 Capital comprises certain securities having features eligible to be recognised as Tier 2 Capital.

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

The sum of Tier 1 Capital and Tier 2 Capital is called Total Capital. The ratio of Total Capital to risk-weighted assets is called the Total Capital ratio.

Under Basel III, an ADI is required to have a minimum Common Equity Tier 1 Capital Ratio of 4.5% which applies to both the ADI's Level 1 Group and Level 2 Group. APRA may also determine that an Australian bank is required to hold an additional amount of capital above the 4.5% minimum requirement, and the total of the 4.5% minimum requirement and any additional amount required is called the prudential capital requirement ("PCR"). CBA has held capital at levels above these minimums and intends to hold capital above these minimums in the future.

An ADI is required to maintain a capital conservation buffer ("CCB") in the form of Common Equity Tier 1 Capital equal to 2.5% of risk-weighted assets, unless APRA determines otherwise.

For Domestic Systemically Important Banks ("D-SIB"), such as CBA, APRA currently requires a 1% D-SIB buffer, raising the CCB to at least 3.5%. This makes the total Common Equity Tier 1 Capital requirement for a D-SIB equal to a minimum of 8%.

APRA also has the discretion to apply an additional countercyclical capital buffer to all banks with an indicative range of between 0% and 2.5% of Common Equity Tier 1 Capital. If applicable, this forms part of the CCB. APRA has currently set the countercyclical capital buffer applicable to Australian exposures at 0%.

References to the minimum total Common Equity Tier 1 Capital requirement applicable under APRA's prudential standards are to general minimums applying under the APRA prudential standards, rather than specific minimums applying to CBA.

In addition, the Leverage Ratio will act as a supplementary measure to the other capital requirements and is defined as an ADI's Tier 1 Capital divided by that ADI's total exposures (on and off balance sheet exposures).

### **CBA Level 2 Common Equity Tier 1 Capital levels and 4.5% minimum requirements<sup>1</sup>**

	Common Equity Tier 1 Capital Ratio	Common Equity Tier 1 Capital (A\$Bn)	Minimum Common Equity Tier 1 Capital Ratio	Minimum Common Equity Tier 1 Capital (A\$Bn)	Surplus above minimum Common Equity Tier 1 Capital Ratio	Surplus Common Equity Tier 1 Capital (A\$Bn)
31 Dec 2017	10.4%	45.9	4.5%	19.8	5.9%	26.1
30 June 2017	10.1%	44.2	4.5%	19.7	5.6%	24.5
31 Dec 2016	9.9%	43.3	4.5%	19.6	5.4%	23.7
30 June 2016	10.6%	41.7	4.5%	17.8	6.1%	23.9

<sup>1</sup> Does not include the CCB. For a comparison including the CCB, see the table entitled "CBA Level 2 Common Equity Tier 1 Capital levels and 8% minimum requirements" on page 41

CBA's Level 1 Common Equity Tier 1 Capital Ratio was 11.1% as at 31 December 2017, which equates to a surplus of approximately A\$27.2 billion above the minimum Common Equity Tier 1 Ratio.

#### **3.8.1.2 Capital Trigger Event**

Under Basel III, Tier 1 securities (such as PERLS X) must include a Capital Trigger Event.

A Capital Trigger Event may occur if either or both the CBA Level 1 Common Equity Tier 1 Capital Ratio or CBA Level 2 Common Equity Tier 1 Capital Ratio as calculated under APRA's approach is equal to or less than 5.125% (see Section 4.2.5 "A Capital Trigger Event or Non-Viability Trigger Event may occur"). CBA has held Common Equity Tier 1 Capital at levels above 5.125% and intends to hold capital above this level in the future.

The table below discloses CBA's Level 2 Common Equity Tier 1 Capital levels.

### **CBA Level 2 Common Equity Tier 1 Capital levels and capital trigger**

	Common Equity Tier 1 Capital Ratio	Common Equity Tier 1 Capital (A\$Bn)	Capital Trigger Event	Capital Trigger Event level (A\$Bn)	Surplus above Capital Trigger Event	Surplus Common Equity Tier 1 Capital (A\$Bn)
31 Dec 2017	10.4%	45.9	5.125%	22.6	5.3%	23.3
30 Jun 2017	10.1%	44.2	5.125%	22.4	5.0%	21.8
31 Dec 2016	9.9%	43.3	5.125%	22.4	4.8%	20.9
30 Jun 2016	10.6%	41.7	5.125%	20.2	5.5%	21.5

CBA's Level 1 Common Equity Tier 1 Capital Ratio was 11.1% as at 31 December 2017, which equates to a surplus of approximately A\$24.6 billion above the Capital Trigger Event level.

#### **3.8.1.3 Potential impact of falling into the capital conservation buffer**

Restrictions on the proportion of profits that can be used to pay Ordinary Share dividends, Tier 1 Capital distributions and discretionary staff bonuses will apply if an ADI's Common Equity Tier 1 Capital Ratio falls into the ADI's CCB. The percentage of earnings able to be used for discretionary payments depends on whether the ADI is operating above the CCB or has fallen into the buffer outlined in the table entitled "Capital conservation buffer rules" (see below).

**Capital conservation buffer rules<sup>1</sup>**

Common Equity Tier 1 Ratio	Value range	% of earnings able to be used for discretionary payments
Above top of CCB	Greater than PCR + 3.5%	100%
<b>4<sup>th</sup> Quartile</b>	Top of range: PCR + 3.5% Bottom of range: greater than PCR + 2.625%	60%
<b>3<sup>rd</sup> Quartile</b>	Top of range: PCR + 2.625% Bottom of range: greater than PCR + 1.75%	40%
<b>2<sup>nd</sup> Quartile</b>	Top of range: PCR + 1.75% Bottom of range: greater than PCR + 0.875%	20%
<b>1<sup>st</sup> Quartile</b>	Top of range: PCR + 0.875% Bottom of range: PCR	0%
<b>Prudential capital requirement<sup>2</sup></b>	Less than PCR	0%

<sup>1</sup> Above example assumes the total CCB (including the D-SIB buffer of 1% and countercyclical capital buffer of 0%) is 3.5%

<sup>2</sup> 4.5% minimum plus any additional amount required by APRA

**CBA Level 2 Common Equity Tier 1 Capital levels and 8% minimum requirements<sup>1</sup>**

	Common Equity Tier 1 Capital Ratio	Common Equity Tier 1 Capital (A\$Bn)	Minimum Common Equity Tier 1 Capital Ratio <sup>1</sup>	Minimum Common Equity Tier 1 Capital requirement at 8% (A\$Bn) <sup>1</sup>	Surplus above Minimum Common Equity Tier 1 Capital Ratio <sup>1</sup>	Surplus Common Equity Tier 1 Capital (A\$Bn)
31 Dec 2017	10.4%	45.9	8%	35.3	2.4%	10.6
30 June 2017	10.1%	44.2	8%	35.0	2.1%	9.2
31 Dec 2016	9.9%	43.3	8%	34.9	1.9%	8.4
30 Jun 2016	10.6%	41.7	8%	31.6	2.6%	10.1

<sup>1</sup> Includes the CCB

CBA's Level 1 Common Equity Tier 1 Capital Ratio was 11.1% as at 31 December 2017, which equates to a surplus of approximately A\$12.7 billion above the minimum Common Equity Tier 1 capital requirement.

As outlined above, discretionary payments (such as Distributions on PERLS X) may not be paid if an ADI's Common Equity Tier 1 Ratio falls into the CCB. Distributions that are not paid do not accrue and will not be subsequently paid.

#### 3.8.1.4 Regulatory developments

APRA has implemented a number of actions in response to the FSI final report of December 2014, including the report's recommendation that Australian ADIs be required to operate with 'unquestionably strong' capital ratios.

In July 2017, APRA released an information paper "Strengthening banking sector resilience – establishing unquestionably strong capital ratios" in relation to establishing the quantum of capital required for the Australian banking sector to have capital ratios that are 'unquestionably strong'. APRA stated in the paper that in order to meet the objective of having 'unquestionably strong' capital ratios, Australia's major banks would need to operate with an average benchmark ratio of Common Equity Tier 1 Capital to risk-weighted assets of 10.5% or more by 1 January 2020.

Separately, on 7 December 2017, the BCBS finalised the Basel III bank capital framework "Basel III: Finalising post-crisis reforms" confirming new measures designed to address deficiencies in the international regulatory capital framework following the global financial crisis, primarily focused on addressing excessive variability in risk-weighted assets, and therefore capital requirements, across banks.

In response, on 14 February 2018, APRA released a discussion paper titled "Discussion Paper – Revisions to the capital framework for authorised deposit-taking institutions" ("**Capital Framework Discussion Paper**") to commence its consultation on revisions to the capital framework. The Capital Framework Discussion Paper outlines the main components of the revisions APRA expects to make to the risk-based capital requirements for ADIs using the advanced and standardised approach to credit, market and operational risk.

Amongst other things, the Capital Framework Discussion Paper seeks to address systemic concentration of ADI portfolios in residential mortgages and the proposals seek to target higher-risk residential mortgage lending, including investment and interest only loans.

APRA has stated that it expects the overall impact of the proposals in the Capital Framework Discussion Paper to be a net increase in ADIs' risk-weighted assets. APRA has noted that all else being equal, this will reduce an ADI's reported capital ratios, even though there is no change to the ADI's underlying risk profile or to the quantum of capital required to achieve capital ratios that are 'unquestionably strong'.

Given the change of measurement methodology proposed in the Capital Framework Discussion Paper, APRA has stated that it intends to recalibrate the benchmark 10.5% CET1 ratio applicable to major banks. However, APRA's expectation is that this will not necessitate additional capital raisings by ADIs. APRA's intention is that the quantum of capital required to be held by ADIs under the revised capital framework can be accommodated within the amount of capital they would have needed to hold to meet the benchmark CET1 ratio by January 2020.

Revisions to APRA's prudential standards will be subject to consultation before becoming effective from 1 January 2021. This implementation timeframe is also subject to consultation.

Consistent with CBA's approach to capital management, CBA will aim to achieve 'unquestionably strong' capital ratios through a range of initiatives, including organic capital generation, commitment to financial strength and announced asset sales (see Section 3.8.1.5 "CBA's approach to Capital Management" and Section 3.2 "Businesses of CBA").

In addition to the revisions to the capital framework, APRA has announced it intends to implement other capital related FSI recommendations, including a framework for minimum loss-absorbing and recapitalisation capacity and the introduction of a minimum Leverage Ratio requirement for ADIs. On 14 February 2018, APRA released a discussion paper titled "Discussion Paper – Leverage ratio requirement for authorised deposit-taking institutions" ("**Leverage Ratio Discussion Paper**") and intends to consult on the proposals in 2018. It is proposed that certain ADIs, including CBA, will be required to operate with a minimum Leverage Ratio of 4% from 1 July 2019, subject to consultation. The Leverage Ratio Discussion Paper also proposes changes to the way the Leverage Ratio is calculated.

Also in response to the FSI recommendations, in February 2018 the Australian Government passed legislation to give APRA additional powers for crisis resolution and resolution planning in relation to regulated entities. This includes providing certainty that capital instruments can be converted or written off as intended in APRA's prudential standards.

**Further information about regulatory developments can be found in the section entitled "Capital" in the Profit Announcement for the half year ended 31 December 2017 which is available from the Shareholder Centre at [www.commbank.com.au/about-us/shareholders/financial-information/results.html](http://www.commbank.com.au/about-us/shareholders/financial-information/results.html).**

#### 3.8.1.5 CBA's approach to capital management

CBA conservatively but proactively manages its capital position to avoid breaching the minimum capital requirements and to ensure it has sufficient capital to manage future growth. The Board and management are responsible for the setting of internal capital minimums and targets to ensure that CBA's capital is prudently above APRA's minimum capital requirements.

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

CBA issues securities such as PERLS X to satisfy its Tier 1 Capital requirements and provide flexibility for future growth.

Further information about CBA's approach to capital management can be found in the section entitled "Capital" in the Profit Announcement for the half year ended 31 December 2017 which is available from the Shareholder Centre at [www.commbank.com.au/about-us/shareholders/financial-information/results.html](http://www.commbank.com.au/about-us/shareholders/financial-information/results.html).

### 3.8.2 Funding and liquidity

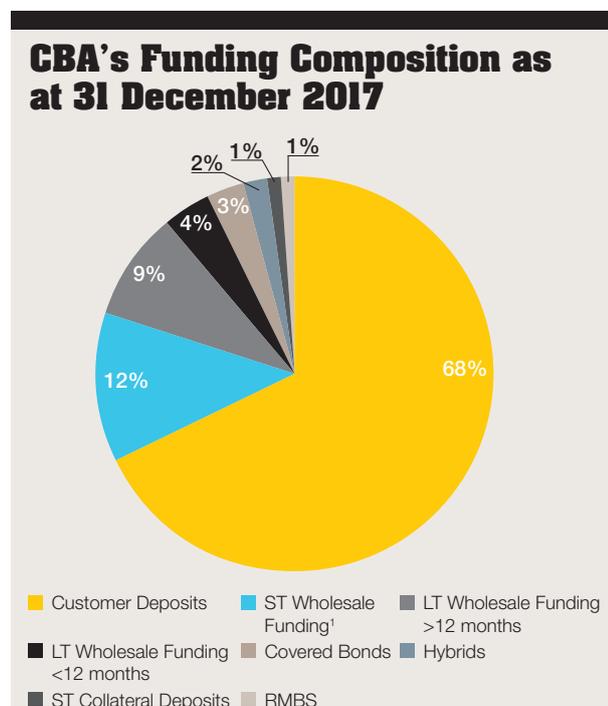
#### 3.8.2.1 Funding

CBA raises customer deposits as well as long-term and short-term wholesale debt to fund its business activities, including lending. Customer deposits include transaction, savings and investment deposits raised from retail, business and institutional clients, predominantly in Australia. Long-term and short-term wholesale debt are raised both in Australia and overseas. CBA conservatively but proactively manages the amount, tenor and mix of its funding to ensure it has sufficient funding for its current business activities and to manage future growth.

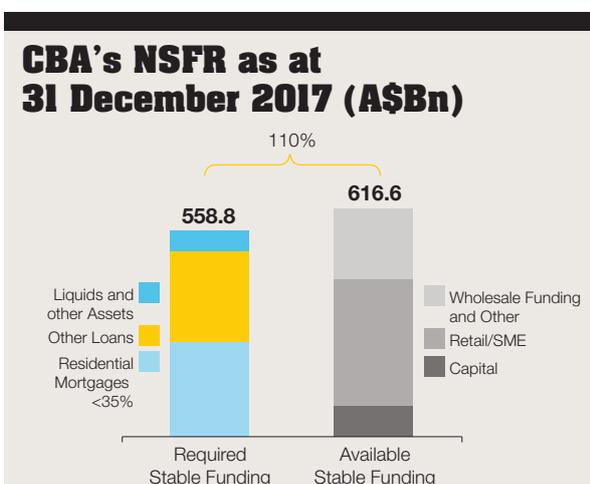
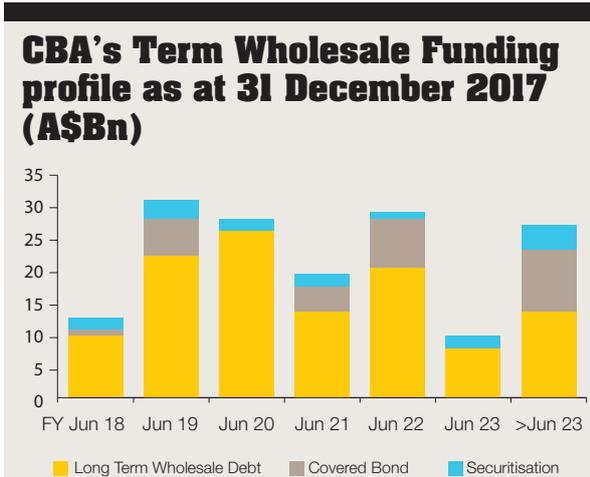
It also manages its wholesale debt maturities to ensure that it is able to repay or refinance its liabilities when they fall due.

Improvements in the mix and tenor of funding has assisted CBA in preparing for the Net Stable Funding Ratio ("NSFR") which applies from 1 January 2018.

Under APRA's liquidity prudential standard, CBA is required to comply with an NSFR requirement to have sufficient stable funding held against core assets (>100%). As at 31 December 2017, CBA's NSFR was 110%.



<sup>1</sup> Includes the categories 'central bank deposits' and 'due to other financial institutions' (including collateral received)

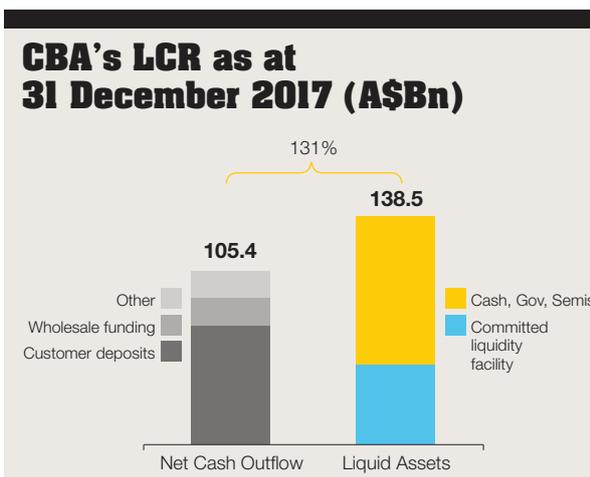


#### 3.8.2.2 Liquidity

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

Under APRA's liquidity prudential standard, CBA is required to comply with a liquidity coverage ratio ("LCR") requirement to hold liquid assets at a level that exceeds net cash outflows (>100%) as required under a 30 day stress scenario.

As at 31 December 2017, CBA's LCR was 131%.



### 3.8.3 Explanation of CBA's revenue model

CBA's banking businesses primarily earn their revenue from the interest and fees charged for loans. Some banking businesses, such as Institutional Banking and Markets, earn fees for services performed for customers.

The funds management businesses earn fees for funds management and advice services performed for customers.

The insurance businesses earn premiums in relation to life and general insurance provided to customers. Part of those premiums are invested in anticipation of future liabilities and therefore the revenue of these businesses also includes investment earnings.

### 3.8.4 Consolidated Income Statement

	Half Year Ended 31 December 2017 <sup>1</sup>	Half Year Ended 30 June 2017 <sup>1</sup>	Year Ended 30 June 2017 <sup>2</sup>	Year Ended 30 June 2016 <sup>2</sup>
Interest income	17,179	16,619	33,293	33,817
Interest expense	(7,926)	(7,793)	(15,693)	(16,882)
Net interest income	9,253	8,826	17,600	16,935
Other banking income	2,896	2,671	5,626	4,576
Net banking operating income	12,149	11,497	23,226	21,511
Net funds management operating income	1,047	987	2,051	2,061
Net insurance operating income	141	65	844	1,006
<b>Total net operating income before impairment and operating expenses</b>	<b>13,337</b>	<b>12,549</b>	<b>26,121</b>	<b>24,578</b>
Loan impairment expense	(596)	(496)	(1,095)	(1,256)
Operating expenses	(5,766)	(5,197)	(11,082)	(10,473)
<b>Net profit before income tax</b>	<b>6,975</b>	<b>6,856</b>	<b>13,944</b>	<b>12,849</b>
Corporate tax expense	(2,071)	(1,955)	(3,960)	(3,505)
Policyholder tax expense <sup>3</sup>	-	-	(32)	(101)
<b>Net profit after income tax from continuing operations</b>	<b>4,904</b>	<b>4,901</b>	<b>9,952</b>	<b>9,243</b>
Net profit after income tax from discontinued operations	11	147	-	-
<b>Net profit after income tax</b>	<b>4,915</b>	<b>5,048</b>	<b>9,952</b>	<b>9,243</b>
Non-controlling interests	(9)	(15)	(24)	(20)
<b>Net profit attributable to Equity holders of CBA</b>	<b>4,906</b>	<b>5,033</b>	<b>9,928</b>	<b>9,223</b>

1 Information has been restated and presented on a continuing operations basis. Discontinued operations include the Group's life insurance businesses in Australia and New Zealand

2 Comparative information for the years ended 30 June 2017 and 30 June 2016 have not been restated and are presented inclusive of continuing and discontinued operations, as reported in the Profit Announcement for the Year Ended 30 June 2017

3 Policyholder tax expense for the half years ended 31 December 2017 and 30 June 2017 form part of the net profit after income tax from discontinued operations

## 3.8.5 Consolidated Balance Sheet

	As at 31 December 2017 A\$M <sup>1</sup>	As at 30 June 2017 A\$M	As at 30 June 2016 A\$M
<b>Assets</b>			
Cash and liquid assets	37,322	45,850	23,372
Receivables due from other financial institutions	6,955	10,037	11,591
Assets at fair value through Income Statement:			
Trading	34,696	32,704	34,067
Insurance	382	13,669	13,547
Other	1,038	1,111	1,480
Derivative assets	25,228	31,724	46,567
Available-for-sale investments	83,913	83,535	80,898
Loans, bills discounted and other receivables	736,316	731,762	695,398
Bank acceptances of customers	222	463	1,431
Property, plant and equipment	2,635	3,873	3,940
Investment in associates and joint ventures	2,750	2,778	2,776
Intangible assets	9,038	10,024	10,384
Deferred tax assets <sup>2</sup>	1,291	906	389
Other assets	5,249	7,882	7,161
Assets held for sale	14,895	-	-
<b>Total assets</b>	<b>961,930</b>	<b>976,318</b>	<b>933,001</b>
<b>Liabilities</b>			
Deposits and other public borrowings	624,897	626,655	588,045
Payables due to other financial institutions	24,466	28,432	28,771
Liabilities at fair value through Income Statement	9,350	10,392	10,292
Derivative liabilities	23,563	30,330	39,921
Bank acceptances	222	463	1,431
Current tax liabilities	642	1,450	1,022
Deferred tax liabilities	-	332	340
Other provisions	2,120	1,780	1,656
Insurance policy liabilities	481	12,018	12,636
Debt issues	166,510	167,571	161,284
Managed funds units on issue	-	2,577	1,606
Bills payable and other liabilities	8,861	11,932	9,889
Liabilities held for sale	14,543	-	-
	<b>875,655</b>	<b>893,932</b>	<b>856,893</b>
Loan capital	20,184	18,726	15,544
<b>Total liabilities</b>	<b>895,839</b>	<b>912,658</b>	<b>872,437</b>
<b>Net assets</b>	<b>66,091</b>	<b>63,660</b>	<b>60,564</b>
<b>Shareholders' Equity</b>			
Ordinary share capital	36,776	34,971	33,845
Reserves	1,494	1,869	2,734
Retained profits <sup>2</sup>	27,267	26,274	23,435
<b>Shareholders' Equity attributable to Equity holders of CBA</b>	<b>65,537</b>	<b>63,114</b>	<b>60,014</b>
Non-controlling interests	554	546	550
<b>Total Shareholders' Equity</b>	<b>66,091</b>	<b>63,660</b>	<b>60,564</b>

<sup>1</sup> Current period balances have been impacted by the announced sale of the Group's life insurance businesses in Australia and New Zealand

<sup>2</sup> Comparatives have been restated following a change in accounting policy to recognise deferred tax on Brand names acquired by the Group

### 3.8.6 Relevant financial ratios

The ASIC Guidance suggests some financial ratios which may assist you to determine a company's financial capacity to pay interest, and repay the face value, on a bond. CBA does not calculate these ratios as they would not provide meaningful assistance given the nature of CBA's business which is different to companies outside the financial services industry. Nevertheless, CBA calculates the following ratios which may provide assistance:

- **Operating expense to total operating income ratio**

The operating expense to total operating income ratio represents CBA's operating expenses as a percentage of total operating income. Generally, a lower operating expense to total operating income ratio indicates that more total operating income may be available to pay Distributions.

For the six months to 31 December 2017, CBA's operating expense to total operating income ratio ("cash basis") was 43.9%. This means that, for every A\$1 of operating income it earned, it had operating costs of A\$0.439.

If the operating expense to total operating income ratio is too high, it may indicate that there is a risk that CBA may not be able to pay Distributions.

- **Return on equity ratio**

The return on equity ratio represents CBA's net profit after tax as a percentage of its shareholders' equity. Generally, a higher return on equity ratio indicates that more profit may be available to pay Distributions.

For the six months to 31 December 2017, CBA's return on equity ratio ("cash basis") was 14.5%. This means that, for every A\$1 of shareholders' equity it held, it earned net profit after tax of A\$0.145.

If the return on equity ratio is too low, it may indicate that there is a risk that CBA may not be able to pay Distributions.

- **Capital ratios**

The Common Equity Tier 1 Capital Ratio, Tier 1 Capital ratio and Total Capital ratio represent the amount of regulatory capital CBA holds against its risk-weighted assets. Such capital absorbs losses which CBA may incur from time to time and protects depositors from realising such losses. Generally, higher capital ratios indicate CBA's financial strength which is critical to CBA's ability to refinance its debt, including PERLS X in the future.

As at 31 December 2017, CBA's Level 2 Common Equity Tier 1 Capital Ratio was 10.4%, its Tier 1 Capital ratio was 12.4% and its Total Capital ratio was 14.8%. Using the Level 2 Common Equity Tier 1 Capital Ratio as an example, this means that, for every A\$1 of risk-weighted assets it had, it held A\$0.104 of capital in the form of Common Equity Tier 1 Capital.

If the capital ratios are too low, it may indicate that CBA may not be able to elect to Redeem PERLS X in the future.

A Capital Trigger Event may occur if the Common Equity Tier 1 Capital Ratio is equal to or less than 5.125% (see Section 4.2.5 "A Capital Trigger Event or Non-Viability Trigger Event may occur"). CBA has held Common Equity Tier 1 Capital at levels above 5.125% and intends to hold capital above this level in the future.

**For further information about CBA's capital ratios, see Section 3.8.1 "Capital adequacy".**

- **Leverage Ratio**

The Leverage Ratio represents the amount of Tier 1 Capital the CBA Level 2 Group holds against its exposures. This is a supplementary measure to the other capital requirements. Such capital absorbs losses which CBA may incur from time to time and protects depositors from realising such losses. Generally, a higher leverage ratio indicates CBA's financial strength which is critical to CBA's ability to refinance its debt, including PERLS X in the future.

As at 31 December 2017, CBA's Leverage Ratio was 5.4%. This means that, for every A\$1 of exposures it had, it held A\$0.054 of capital in the form of Tier 1 Capital.

If the Leverage Ratio is too low, it may indicate that CBA may not be able to elect to Redeem PERLS X in the future.

- **Liquidity Coverage Ratio ("LCR")**

The LCR represents the amount of high quality liquid assets ("HQLA") CBA holds against net cash outflows under a 30 day stress scenario. Such HQLA ensures CBA has sufficient liquid assets to repay deposits and short term liabilities as they fall due. Generally, the LCR should be above 100%.

As at 31 December 2017, CBA's LCR was 131%. This means that, for every A\$1 of potential net cash outflow, it held A\$1.31 of liquidity.

If the LCR is too low, it may indicate that CBA may not be able to elect to Redeem PERLS X in the future.

- **Net Stable Funding Ratio ("NSFR")**

The NSFR was implemented by APRA in Australia from 1 January 2018. The ratio represents the amount of stable funding CBA holds against core assets. APRA prescribed factors are used to determine the stable funding requirement of assets and the stability of funding. Generally, the NSFR should be above 100%.

As at 31 December 2017, CBA's NSFR was 110%. This means that, for every A\$1 of core assets, it held A\$1.10 of stable funding.

If the NSFR is too low, it may indicate that CBA may not be able to elect to Redeem PERLS X in the future.

**Relevant financial ratios as at 31 December 2017**

	Half Year Ended 31 December 2017	Half Year Ended 30 June 2017	Year Ended 30 June 2017 <sup>3</sup>	Year Ended 30 June 2016 <sup>3</sup>
Operating Expense to Total Operating Income Ratio ("cash basis") <sup>1</sup>	43.9%	41.8%	42.7%	42.4%
Return on Equity Ratio ("cash basis") <sup>1</sup>	14.5%	15.6%	16.0%	16.5%
Common Equity Tier 1 Capital Ratio <sup>2</sup>	10.4%	10.1%	10.1%	10.6%
Tier 1 Capital Ratio <sup>2</sup>	12.4%	12.1%	12.1%	12.3%
Total Capital Ratio <sup>2</sup>	14.8%	14.2%	14.2%	14.3%
Leverage Ratio	5.4%	5.1%	5.1%	5.0%
Net Stable Funding Ratio	110%	107%	107%	n/a <sup>3</sup>
Liquidity Coverage Ratio	131%	129%	129%	120%

<sup>1</sup> Information has been restated and presented on a continuing operations basis. Discontinued operations include the Group's life insurance businesses in Australia and New Zealand

<sup>2</sup> Level 2 capital ratio

<sup>3</sup> Comparative information for the years ended 30 June 2017 and 30 June 2016 have not been restated and are presented on an aggregated basis, inclusive of discontinued operations, as reported in the Profit Announcement for the Year Ended 30 June 2017, except for the Net Stable Funding Ratio, which is a new disclosure

**3.8.7 Impact of the Offer on CBA**

The Offer raises Tier 1 Capital to satisfy CBA's regulatory capital requirements and maintain the diversity of CBA's sources and types of funding.

The net proceeds of the Offer will be used to fund CBA's business. The Offer will not have a material impact on CBA's cash flow.

The following pro forma adjustments show the changes that would be made to CBA's consolidated balance sheet as at 31 December 2017 assuming the Offer was completed, A\$1.25 billion of PERLS X were issued and issue costs of A\$19 million were incurred on 31 December 2017. CBA has the ability to raise more or less than A\$1.25 billion of PERLS X.

**Consolidated pro forma Balance Sheet as at 31 December 2017**

	As reported A\$M	Pro forma adjustment	Pro forma A\$M
<b>Assets</b>			
Cash and liquid assets	37,322	1,231	38,553
Receivables due from other financial institutions	6,955		6,955
Assets at fair value through Income Statement:			
Trading	34,696		34,696
Insurance	382		382
Other	1,038		1,038
Derivative assets	25,228		25,228
Available-for-sale investments	83,913		83,913
Loans, bills discounted and other receivables	736,316		736,316
Bank acceptances of customers	222		222
Property, plant and equipment	2,635		2,635
Investment in associates and joint ventures	2,750		2,750
Intangible assets	9,038		9,038
Deferred tax assets	1,291		1,291
Other assets	5,249		5,249
Assets held for sale	14,895		14,895
<b>Total assets</b>	<b>961,930</b>	<b>1,231</b>	<b>963,161</b>
<b>Liabilities</b>			
Deposits and other public borrowings	624,897		624,897
Payables due to other financial institutions	24,466		24,466
Liabilities at fair value through Income Statement	9,350		9,350
Derivative liabilities	23,563		23,563
Bank acceptances	222		222
Current tax liabilities	642		642
Deferred tax liabilities	-		-
Other provisions	2,120		2,120
Insurance policy liabilities	481		481
Debt issues	166,510		166,510
Managed funds units on issue	-		-
Bills payable and other liabilities	8,861		8,861
Liabilities held for sale	14,543		14,543
	<b>875,655</b>		<b>875,655</b>
Loan capital	20,184	1,231	21,415
<b>Total liabilities</b>	<b>895,839</b>	<b>1,231</b>	<b>897,070</b>
<b>Net assets</b>	<b>66,091</b>	<b>-</b>	<b>66,091</b>
<b>Shareholders' Equity</b>			
Ordinary share capital	36,776		36,776
Reserves	1,494		1,494
Retained profits	27,267		27,267
<b>Shareholders' Equity attributable to Equity holders of CBA</b>	<b>65,537</b>	<b>-</b>	<b>65,537</b>
Non-controlling interests	554		554
<b>Total Shareholders' Equity</b>	<b>66,091</b>	<b>-</b>	<b>66,091</b>

The following pro forma adjustments show the changes that would be made to relevant financial ratios as at 31 December 2017 assuming the Offer was completed, A\$1.25 billion of PERLS X were issued and issue costs of A\$19 million were incurred, on 31 December 2017.

### Pro forma relevant financial ratios as at 31 December 2017

	As reported	Pro forma adjustment	Pro forma
Operating Expense to Total Operating Income Ratio ("cash basis") <sup>1</sup>	43.9%	-	43.9%
Return on Equity Ratio ("cash basis") <sup>1</sup>	14.5%	-	14.5%
Common Equity Tier 1 Capital Ratio <sup>2</sup>	10.4%	-	10.4%
Tier 1 Capital Ratio <sup>2</sup>	12.4%	0.2%	12.6%
Total Capital Ratio <sup>2</sup>	14.8%	0.2%	15.0%
Leverage Ratio	5.4%	0.1%	5.5%
Net Stable Funding Ratio	110%	0.2%	111%
Liquidity Coverage Ratio	131%	1.2%	133%

<sup>1</sup> There is no change to these ratios because all costs are capitalised and amortised over time

<sup>2</sup> Level 2 capital ratio

**Section THREE** Information About CBA *(continued)*

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## Section FOUR

### Risks of CommBank PERLS X Capital Notes

- 4.1 Introduction
- 4.2 Risks associated with CommBank PERLS X Capital Notes specifically
- 4.3 Risks associated with CBA's businesses which may affect CommBank PERLS X Capital Notes

## 4.1 Introduction

There are risks which could affect an investment in CommBank PERLS X Capital Notes, including:

- risks associated with PERLS X specifically, many of which are outside the control of CBA; and
- risks associated with CBA's businesses which may affect PERLS X.

All principal or material risks and uncertainties that have been identified by CBA as at the date of this Prospectus are included in this section. Additional risks and uncertainties that CBA is unaware of, or that it currently deems to be immaterial, may also become important risk factors that affect CBA and therefore PERLS X. This list is not exhaustive. CBA is subject to continuous disclosure obligations, requiring new material information to be announced to the ASX.

If any of the listed or unlisted risks actually occur, CBA's business operations, financial condition or reputation could be materially adversely affected and, consequently, Holders of PERLS X could lose all or part of their investment.

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

## 4.2 Risks associated with CommBank PERLS X Capital Notes specifically

### 4.2.1 Investments in PERLS X are not deposit liabilities or protected accounts under the Banking Act

Investments in PERLS X are an investment in CBA and may be affected by the ongoing performance, financial position and solvency of CBA. They are not deposit liabilities or protected accounts under the Banking Act. Therefore, PERLS X are not guaranteed or insured by any Australian government, government agency or compensation scheme of Australia or any other jurisdiction.

### 4.2.2 Holders of PERLS X are subordinated and unsecured creditors

In a winding up of CBA, Holders' claims will rank after the claims of holders of Senior Ranking Obligations, creditors preferred by law and secured creditors.

Holders' claims will rank equally with claims of holders of Equal Ranking Securities. This means your PERLS X rank equivalently to a preference share.

Holders' claims will rank ahead of claims of holders of Junior Ranking Securities (being holders of Ordinary Shares).

If, after the claims of holders of Senior Ranking Obligations, creditors preferred by law and secured creditors are satisfied there are insufficient assets to pay all amounts owing on PERLS X and any Equal Ranking Securities, there is a risk that you may lose some or all of the money you invested in PERLS X.

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

### 4.2.3 Distributions may not be paid

Payment of a Distribution is subject to:

- CBA, in its absolute discretion, making the Distribution;
- payment not resulting in a breach of CBA's capital requirements under APRA's prudential standards as they are applied to the CBA Level 1 Group or the CBA Level 2 Group;
- payment not resulting in CBA becoming insolvent; and
- APRA not otherwise objecting to the payment.

No Distribution will be paid on Exchange where Exchange occurs due to a Capital Trigger Event or a Non-Viability Trigger Event.

Distributions may not be paid if CBA's Common Equity Tier 1 Ratio falls into the capital conservation buffer. For further information, see Section 3.8.1 "Capital adequacy".

Distributions that are not paid do not accrue and will not be subsequently paid. Non-payment of a Distribution on the relevant Distribution Payment Date will not be an event of default and CBA will have no liability to Holders in respect of the unpaid Distribution. However, from that Distribution Payment Date and until a Distribution is paid in full on a subsequent Distribution Payment Date (or all PERLS X are Exchanged, Redeemed or otherwise terminated), CBA cannot (subject to certain exceptions):

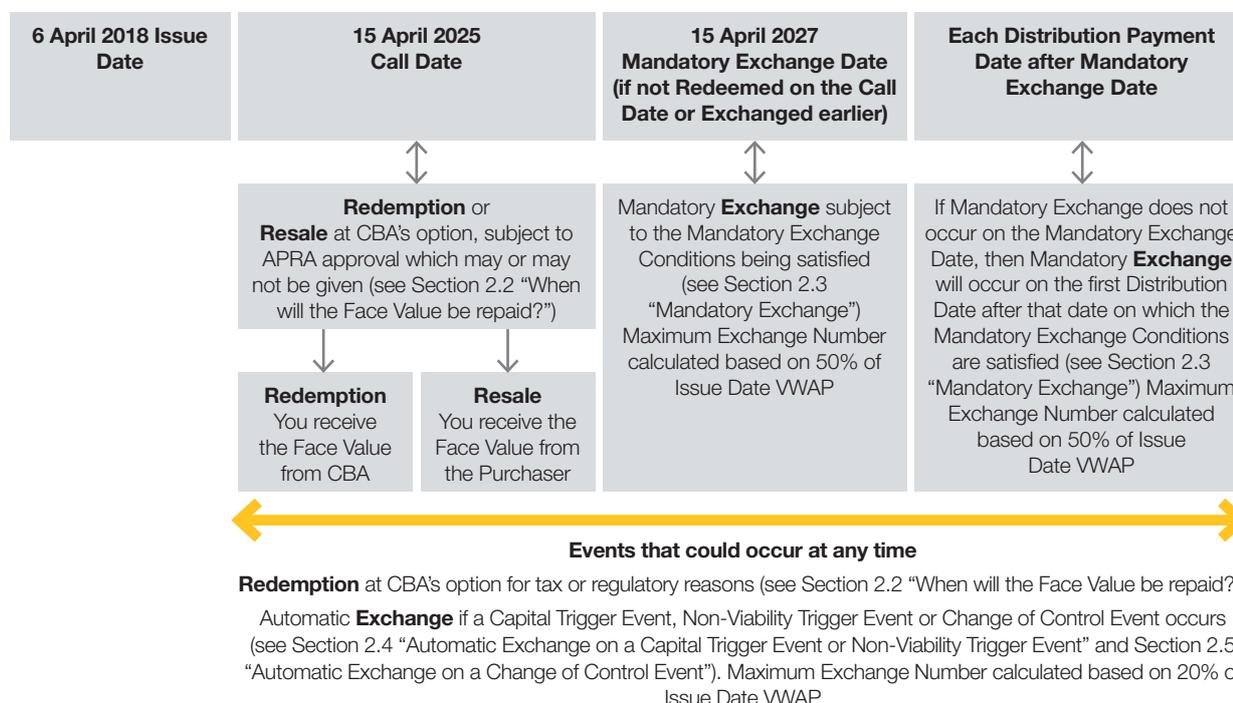
- declare or determine a dividend on Ordinary Shares; or
- return any capital or undertake any buy-backs or repurchases in relation to Ordinary Shares.

To prevent these restrictions from occurring, CBA must pay all Distributions when scheduled, or, if all or any part of a Distribution is not paid when scheduled, in full within 5 Business Days of the Distribution Payment Date. Therefore, CBA would expect to give priority to payments of Distributions and other similar Tier 1 Capital distributions to enable CBA to be able to continue paying Ordinary Share dividends.

Further, under the terms of some other securities issued by CBA, CBA may not be able to pay Distributions if it does not pay distributions on those other securities. If this occurs, the dividend and capital restrictions outlined above will apply.

#### 4.2.4 PERLS X may be Exchanged for Ordinary Shares on the Mandatory Exchange Date or if certain events occur

PERLS X do not have a fixed maturity date but may be Exchanged into Ordinary Shares, Redeemed or Resold. The diagram below summarises when these events could occur. If none of these events occur, PERLS X could remain on issue indefinitely and the Face Value will not be repaid.



##### 4.2.4.1 Holders may receive Ordinary Shares on the Mandatory Exchange Date

Unless Redeemed or Exchanged earlier, PERLS X must be Exchanged on the Mandatory Exchange Date (subject to the Mandatory Exchange Conditions).

Normally, you will receive a variable number of Ordinary Shares with a value equal to A\$101.01 (based on the Initial Face Value of A\$100 and the VWAP of Ordinary Shares with the benefit of a 1% discount, see Section 2.3 "Mandatory Exchange"). For example, if the *VWAP of Ordinary Shares immediately prior to the Exchange Date* was A\$70, you would receive 1.4430 Ordinary Shares per PERLS X. If the Ordinary Share price on the Exchange Date remained A\$70, this would have a market value of A\$101.01.

However, CBA will only be required to Exchange PERLS X if all the Mandatory Exchange Conditions are satisfied (see Section 2.3 "Mandatory Exchange"). For example, if the *Issue Date VWAP* had been A\$77, then:

- under the First Mandatory Exchange Condition, if the VWAP of Ordinary Shares on the 25<sup>th</sup> Business Day before the Mandatory Exchange Date was greater than A\$43.12, the First Mandatory Exchange Condition would be satisfied;
- under the Second Mandatory Exchange Condition, if the VWAP of Ordinary Shares during the period of 20 Business Days before the Mandatory Exchange Date was greater than A\$38.89, then the Second Mandatory Exchange Condition would be satisfied; and

- under the Third Mandatory Exchange Condition, if the Ordinary Shares are listed or admitted to trading on ASX as at the date of the Mandatory Exchange Date, then the Third Mandatory Exchange Condition would be satisfied.

If any of these Mandatory Exchange Conditions are not satisfied, it means that the Ordinary Share price has fallen below these levels during the relevant periods and Exchange will not occur. If Exchange does not occur, you will continue to hold your PERLS X until the first Distribution Payment Date after that date on which all the Mandatory Exchange Conditions are satisfied at which time Exchange will occur.

The value of Ordinary Shares you receive could be less than A\$101.01 in some circumstances, including:

- if the Face Value has previously been reduced (following a Capital Trigger Event or Non-Viability Trigger Event); and
- to realise the value of the Ordinary Shares, you can sell them on ASX at the prevailing market price. However, depending on the time you decide to sell and the market price at that time, it is possible that your sale proceeds may be less than the Face Value.

#### 4.2.4.2 Holders may receive Ordinary Shares upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event

Unless Redeemed or Exchanged earlier, PERLS X must be Exchanged upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event.

The Mandatory Exchange Conditions do not apply. Therefore, CBA will be required to Exchange PERLS X in all circumstances, regardless of the level at which the Ordinary Share price is trading, and the Maximum Exchange Number may limit the number of Ordinary Shares you receive.

The value of Ordinary Shares you receive could be less than A\$101.01 in some circumstances, including:

- if the Face Value has previously been reduced (following a previous Capital Trigger Event or Non-Viability Trigger Event);
- the maximum number of Ordinary Shares that you can receive is limited to a number calculated based on 20% of the Issue Date VWAP. For example, if the *Issue Date VWAP* had been A\$77, then the Maximum Exchange Number would be 6.4935 Ordinary Shares per PERLS X; and
- to realise the value of the Ordinary Shares, you can sell them on ASX at the prevailing market price. However, depending on the time you decide to sell and the market price at that time, it is possible that your sale proceeds may be less than the Face Value.

If you wish to sell your Ordinary Shares, there is also a risk that Ordinary Shares may no longer be listed on ASX at the time of Exchange and you may not be able to sell your Ordinary Shares at all.

#### 4.2.4.3 Holders may receive Ordinary Shares upon the occurrence of a Change of Control Event

Unless Redeemed or Exchanged earlier, PERLS X must be Exchanged upon the occurrence of a Change of Control Event (subject to the Mandatory Exchange Conditions applying with the modifications in Clause 4.7(c) of the Terms).

The consequences of Exchange in this situation are the same as for Mandatory Exchange (see Section 4.2.4.1 "Holders may receive Ordinary Shares on the Mandatory Exchange Date").

#### 4.2.4.4 Consequences of holding Ordinary Shares

Ordinary Shares are a different type of investment to PERLS X. Dividends are payable at the absolute discretion of CBA and the amount of each dividend is discretionary (not subject to a formula). In contrast, distributions on PERLS X are payable in accordance with the formulae in Clauses 2.2 and 2.3 and subject to the distribution payment conditions in Clause 2.5 of the Terms. In a winding up of CBA, claims of holders of Ordinary Shares rank behind claims of holders of all other securities and debts of CBA. In contrast, claims of PERLS X holders rank ahead of holders of Ordinary Shares.

Ordinary Shares are an equity security and may trade at a market price which is different to a hybrid security such as PERLS X. The market price of Ordinary Shares

may be more sensitive than that of PERLS X to changes in CBA's performance, operational issues and other business issues.

### 4.2.5 A Capital Trigger Event or Non-Viability Trigger Event may occur

#### 4.2.5.1 Definition of Capital Trigger Event and Non-Viability Trigger Event

A Capital Trigger Event occurs when CBA determines, or APRA notifies CBA in writing that it believes, that either or both the CBA Level 1 Common Equity Tier 1 Capital Ratio or CBA Level 2 Common Equity Tier 1 Capital Ratio is equal to or less than 5.125%.

The Common Equity Tier 1 Capital Ratio is the ratio of CBA's Common Equity Tier 1 Capital to its risk-weighted assets, where Common Equity Tier 1 Capital is the strongest form of capital held by CBA.

If a Capital Trigger Event occurs, CBA must immediately Exchange such number of PERLS X (or a percentage of the Face Value of each PERLS X) to return either or both the CBA Level 1 Common Equity Tier 1 Capital Ratio or CBA Level 2 Common Equity Tier 1 Capital Ratio, as the case may be, to above 5.125%.

A Non-Viability Trigger Event occurs when APRA notifies CBA in writing that it believes:

- Exchange of all or some PERLS X (or the taking of any action in relation to other capital instruments of the CBA Group) is necessary because, without it, CBA would become non-viable; or
- a public sector injection of capital, or equivalent support, is necessary because, without it CBA would become non-viable.

If a Non-Viability Trigger Event occurs, CBA must immediately Exchange such number of PERLS X (or a percentage of the Face Value of each PERLS X) as specified by APRA or necessary to satisfy APRA that CBA will no longer be non-viable. In the case of a public sector injection of capital, or equivalent support, all PERLS X must be Exchanged.

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

It should be noted that whether a Non-Viability Trigger Event will occur is at the discretion of APRA and there are currently no precedents for this. The circumstances in which APRA may exercise its discretion are not limited to when APRA may have a concern about a bank's capital levels but may also include when APRA has a concern about a bank's funding and liquidity levels.

In Section 4.3 "Risks associated with CBA's businesses which may affect CommBank PERLS X Capital Notes", a number of general risks associated with CBA's businesses are outlined. If one, or a combination, of these risks leads to a significant capital loss, or prolonged difficulties in raising funding or maintaining sufficient liquidity, this may be the type of situation in which APRA becomes concerned and notifies CBA that it has become non-viable. It should be noted that these are examples. The risks outlined in Section 4.3 are not exhaustive and there may be other risks which affect the performance of CBA.

#### 4.2.5.3 Consequences of the occurrence of a Capital Trigger Event or Non-Viability Trigger Event

The inclusion of the Capital Trigger Event and Non-Viability Trigger Event in the terms of capital securities is a requirement under APRA's prudential standards since 1 January 2013.

In the past, if a bank experienced financial difficulty and needed to accept public or private assistance or investment, holders of capital securities would be subject to the arrangements negotiated on their behalf by the bank with the Government or private investors (as the case may be) at the time. The nature and terms of those arrangements were uncertain until that time arose.

The inclusion of the Capital Trigger Event and Non-Viability Trigger Event is intended to provide an advanced framework for the treatment of Holders if CBA experiences significant financial difficulty. Upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event, CBA must immediately Exchange all or some PERLS X (or a percentage of the Face Value of each PERLS X). The Mandatory Exchange Conditions do not apply and the Terms provide that Exchange occurs automatically without the need for any further act or step by CBA and that CBA will recognise Holders as having been issued Ordinary Shares. Any ASX trades in PERLS X that have not settled on the date a Capital Trigger Event or Non-Viability Trigger Event occurs will continue to settle in accordance with the normal ASX T+2 settlement, although the seller will be treated as having delivered, and the buyer will be treated as having acquired, the number of Ordinary Shares into which PERLS X have been Exchanged as a result of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event.

If a Non-Viability Trigger Event occurs because there has been a public sector injection of capital, or equivalent support, all PERLS X must be Exchanged.

However, the number of Ordinary Shares you will receive is limited to the Maximum Exchange Number. For further information about the consequences of the application of the Maximum Exchange Number, see Section 4.2.4.2 "Holders may receive Ordinary Shares upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event".

If the Exchange is not effective and CBA has not otherwise issued Ordinary Shares within 5 Business Days, then Holders' rights under the relevant PERLS X will be terminated and such termination will be taken to have occurred immediately on the date of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event. Your investment in the relevant PERLS X will lose all of its value – the Face Value will not be repaid and you will not receive any compensation. This could occur if CBA was prevented from issuing Ordinary Shares by circumstances outside its control, for example, if CBA was prevented by an applicable law or order of any court, or action of any government authority, from issuing Ordinary Shares.

#### 4.2.5.4 CBA proactively manages its capital, funding and liquidity positions to avoid experiencing financial difficulty

CBA conservatively and proactively manages its capital, funding and liquidity positions to avoid experiencing financial difficulty.

**For further information about CBA's capital, funding and liquidity positions, how they are managed and the CBA Level 2 Common Equity Tier 1 Capital Ratio surplus above the level of 5.125%, see Section 3.8.1 "Capital adequacy" and Section 3.8.2 "Funding and liquidity". However, there are a number of risks which are wholly or partly outside CBA's control as discussed in Section 4.3 below.**

#### 4.2.6 PERLS X may not be Exchanged on the scheduled Mandatory Exchange Date

PERLS X may not be Exchanged on the scheduled Mandatory Exchange Date because the Mandatory Exchange Conditions are not satisfied. If Exchange does not occur, then (unless Exchange occurs in the meantime pursuant to a Capital Trigger Event and Non-Viability Trigger Event – see Section 4.2.5 "A Capital Trigger Event or Non-Viability Trigger Event may occur") you will continue to hold your PERLS X until the first Distribution Payment Date after that date on which all the Mandatory Exchange Conditions are satisfied, at which time Exchange will occur. PERLS X are a perpetual security and it is possible that the Mandatory Exchange Conditions may never be satisfied and that PERLS X may never be Exchanged.

To realise your investment, you can sell your PERLS X on ASX at the prevailing market price. However, depending on market conditions at the time, PERLS X may be trading at a market price below the Face Value and/or the market for PERLS X may not be liquid.

#### 4.2.7 CBA may Redeem PERLS X if certain events occur

CBA has the right to Redeem PERLS X or choose that Resale occur on the Call Date, or at any time for tax or regulatory reasons. CBA's right to Redeem PERLS X is subject to prior written approval from APRA. Approval is at the discretion of APRA and may or may not be given.

If PERLS X are Redeemed for tax or regulatory reasons then, depending on market conditions at the time, you may not be able to reinvest the amount you receive on Redemption at a similar rate of return to the rate of return you expected on your PERLS X if you had continued to hold them. In addition, the timing or occurrence of the Redemption may not coincide with your individual preferences.

#### **4.2.8 Holders do not have a right to request that their PERLS X be Exchanged or Redeemed early**

Holders do not have a right to request that their PERLS X be Exchanged or Redeemed early for any reason.

To realise your investment, you can sell your PERLS X on ASX at the prevailing market price. However, depending on market conditions at the time, PERLS X may be trading at a market price below the Face Value and/or the market for PERLS X may not be liquid. For further information about liquidity risks associated with PERLS X, see Section 4.2.12 “The liquidity of PERLS X may be low”.

#### **4.2.9 CBA may raise more debt and issue other securities**

CBA has the right in its absolute discretion to issue additional Senior Ranking Obligations, Equal Ranking Securities, or Junior Ranking Securities which may:

- rank for dividends or payments of capital (including on the winding-up of CBA) equal with, behind or ahead of PERLS X;
- have the same or different dividend, interest or distribution rates as PERLS X;
- have payment tests and distribution restrictions or other covenants which may affect PERLS X (including by restricting circumstances in which Distributions can be paid on PERLS X or PERLS X can be Redeemed); or
- have the same or different terms and conditions as PERLS X.

The Terms do not contain any covenants preventing CBA from raising more debt or issuing other securities, requiring CBA to refrain from certain business changes, or requiring CBA to operate within certain ratio limits.

A holding of PERLS X does not confer any right to participate in further issues of securities by CBA.

It is difficult to anticipate the effect such debt or other issues of securities may have on the market price or liquidity of PERLS X.

#### **4.2.10 The Distribution Rate will fluctuate**

The Distribution Rate is a floating rate, based on the Market Rate plus the fixed Margin. The Market Rate will fluctuate and therefore the Distribution Rate will fluctuate. Over the term of PERLS X, the Distribution Rate may be higher or lower than the initial Distribution Rate on the Issue Date.

If the Distribution Rate decreases, there is a risk that the return on PERLS X may become less attractive compared to returns on comparable securities or investments.

CBA does not guarantee any particular rate of return on PERLS X.

#### **4.2.11 The market price of PERLS X will fluctuate**

CBA has applied for quotation of PERLS X on ASX. The market price of PERLS X on ASX will fluctuate due to various factors, including:

- changes in Australian and international economic conditions, interest rates, credit margins, inflation rates and foreign exchange rates;
- if CBA's financial performance or position declines, or if market participants anticipate that it may decline, an investment in PERLS X could decline in value even if PERLS X have not been Exchanged;
- changes to CBA's credit rating. For further information about the impacts of credit ratings on CBA, see Section 4.3.7 “CBA's results may be adversely affected by liquidity and funding risks”;
- movements in the market price of equity and/or other debt issued by CBA or by other issuers;
- changes in investor perceptions and sentiment in relation to CBA or the financial services industry; and
- other major Australian and international events such as hostilities and tensions, and acts of terrorism.

PERLS X may trade at a market price below the Face Value during this time and the market price may be more sensitive than that of equity to changes in interest rates, credit margins and other market prices.

If PERLS X trade at a market price below the amount at which you acquired them, there is a risk that, if you sell them, you may lose some of the money you invested.

CBA does not guarantee the market price of PERLS X.

#### **4.2.12 The liquidity of PERLS X may be low**

The market on ASX for PERLS X may not be liquid and may be less liquid than that of Ordinary Shares.

If liquidity is low, there is a risk that, if you wish to sell your PERLS X, you may not be able to do so at a price acceptable to you or at all.

#### **4.2.13 Holders may be subject to FATCA withholding and information reporting**

The objective of the Foreign Account Tax Compliance Act (“FATCA”) is to target tax non-compliance by US taxpayers with foreign financial assets, and requires reporting of such financial assets by third parties.

In order to comply with FATCA, it is possible that CBA (or, if PERLS X are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the IRS or otherwise under applicable law) to request certain information from Holders or beneficial owners of PERLS X, which information may in turn be provided to the IRS or other relevant tax authority.

If CBA or any other person is required to withhold amounts as a result of Holders and beneficial owners of PERLS X not providing the required information or documentation, then those Holders and beneficial

owners will not be entitled to receive any gross up or additional amounts to compensate them for such withholding.

This information is based on guidance issued by the IRS or other relevant tax authority as at the date of this Prospectus. Future guidance may affect the application of FATCA to CBA, Holders or beneficial owners of PERLS X.

In addition, the OECD Common Reporting Standard for the Automatic Exchange of Financial Account Information (“CRS”) requires certain financial institutions to report financial information regarding certain accounts to their local tax authority. The CRS applies to Australian financial institutions from 1 July 2017. Holders may be requested to provide certain information to ensure compliance with CRS. This information may be provided to the Australian Taxation Office which, in turn, may provide this information to other countries that have signed the CRS Competent Authority Agreement.

#### 4.2.14 CBA may amend the Terms

CBA may amend the Terms in two ways:

- without the consent of Holders and subject to compliance with relevant laws – as set out in the Terms, including if the amendment is of a formal, technical or minor nature; to correct an error; to facilitate the listing; to comply with relevant laws; to amend any date or time period in connection with any Exchange or Redemption; where there is no material prejudice; or to enable the substitution of a non-operating holding company (“NOHC”) as the debtor of PERLS X provided certain substitution conditions are satisfied; and
- with the consent of Holders – if a Special Resolution is passed.

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

Certain amendments may require prior written approval from APRA. Approval is at the discretion of APRA and may or may not be given.

#### 4.2.15 CBA may substitute for itself a non-operating holding company (“NOHC”)

CBA may substitute for itself a NOHC as the debtor in respect of PERLS X or as the issuer of ordinary shares on Exchange. If a NOHC is substituted as the debtor it means that you would no longer have rights against CBA. If a NOHC is substituted as the issuer of ordinary shares on Exchange it means that you will receive ordinary shares in the NOHC rather than CBA.

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

#### 4.2.16 Powers of an ADI Statutory Manager and of APRA

In certain circumstances, APRA may appoint a statutory manager to take control of the business of an Australian ADI, including CBA. The statutory manager has specific powers to take certain actions which may affect the ongoing operation of CBA and therefore its financial position which is relevant to PERLS X.

### 4.3 Risks associated with CBA's businesses which may affect CommBank PERLS X Capital Notes

#### 4.3.1 CBA is subject to extensive regulation and an environment of political scrutiny, which could adversely impact its operations and financial position

CBA and its businesses are subject to extensive regulation in Australia and other jurisdictions in which CBA operates or obtains funding, including Australia, New Zealand, the United Kingdom, the United States, Singapore, South Africa, Indonesia and India.

APRA, as the key banking regulator in Australia, has very wide powers under the Banking Act, including in limited circumstances to direct banks (including CBA) not to make payments. In addition to its key Australian regulators, a range of international regulators and authorities supervise and regulate CBA in respect of, among other areas, capital adequacy, liquidity levels, funding, provisioning, insurances, compliance with prudential regulation and standards, remuneration, data access, stock exchange listing requirements, and its compliance with relevant financial crime, sanction, privacy, taxation, competition, consumer protection and securities trading laws.

CBA and the wider financial services industry is facing increased regulation in many of these areas and jurisdictions, and changes or new regulation in one part of the world could lead to changes elsewhere.

Any change in law, regulation, policy or practice of regulators, or failure to comply with laws, regulation or policy, may adversely affect CBA's business, prospects, performance or financial position of CBA, its reputation, and its ability to execute its strategy, either on a short-term or long-term basis. The potential impacts of regulatory change are wide, and could include increasing the levels and types of capital CBA is required to hold, restricting the way CBA can conduct its business and the nature of that business, such as the types of products that it can offer to customers.

CBA may also be adversely affected if the pace or extent of such change exceeds CBA's ability to implement these changes and embed appropriate compliance processes adequately. The pace of regulatory change means that the regulatory context in which CBA operates is often uncertain and complex.

#### 4.3.1.1 Regulatory reforms

Examples of regulatory reform include the Australian Government's review of the Australian financial system (the FSI) and APRA's proposals to revise the capital framework for ADIs as detailed in the Capital Framework Discussion Paper (see Section 3.8.1.4 "Regulatory developments").

The finalisation of these reforms may have the following impacts:

- implications for the CCB which may affect the payment of Distributions (see Section 3.8.1.3 "Potential impact of falling into the capital conservation buffer" for more information on the CCB); or
- further changes to the risk-weighting framework for certain asset classes, which are expected to increase CBA's risk-weighted assets and accordingly (all things being equal) reduce CBA's Common Equity Tier 1 ratio which may affect the risk of a Capital Trigger Event occurring (see Section 2.4 "Automatic Exchange on a Capital Trigger Event or a Non-Viability Trigger Event" and Section 4.2.5 "A Capital Trigger Event or Non-Viability Trigger Event may occur").

#### 4.3.1.2 Other regulatory and political developments

There is currently an environment of heightened political scrutiny on the Australian financial services industry. This scrutiny has become further heightened following the commencement by AUSTRAC of civil penalty proceedings against CBA as described in Sections 3.4 "Financial services industry regulatory environment" and 4.3.2 "CBA's business could be negatively impacted by substantial legal liability or regulatory action". Examples of industry-wide political scrutiny are:

##### **i) 2017-18 Australian Government Budget**

On 9 May 2017, in its 2017-18 Budget, the Government announced that it will introduce a new Banking Executive Accountability Regime ("BEAR") and a new levy on liabilities impacting the five largest Australian banks from 1 July 2017 (the "Major Bank Levy").

BEAR was passed by the Senate on 7 February 2018, and will commence on 1 July 2018 for CBA. BEAR is designed to make senior executives more accountable for their banks' actions and outcomes, mainly by providing APRA with enhanced powers over accountable persons and requiring a portion of an accountable person's remuneration to be deferred for at least 4 years.

The Major Bank Levy has a direct impact on CBA's financial result.

##### **ii) The Royal Commission**

As outlined in Section 3.4 "Financial services industry regulatory environment", the Royal Commission was established on 14 December 2017. Inquiries and announcements such as the Royal Commission can involve additional costs and can adversely affect investor confidence. If regulatory action is taken, or changes in law, regulation or policy implemented, as a result of the Royal Commission, those changes may adversely affect CBA's business, reputation, financial performance or operations.

#### 4.3.2 CBA's business could be negatively impacted by substantial legal liability or regulatory action

Due to the nature of CBA's business, it is involved in litigation, arbitration and regulatory proceedings, principally in Australia and New Zealand. Such matters are subject to many uncertainties, and the outcome of individual matters cannot be predicted with certainty. If CBA is ordered to pay money (for example, damages, fines, penalties or legal costs), has orders made against its assets (for example, a charging order or writ of execution), is ordered to carry out actions which adversely affect its business operations or reputation (for example, corrective advertising) or is otherwise subject to adverse outcomes of litigation, arbitration and regulatory proceedings, CBA's profitability may be adversely affected. CBA's reputation may also be damaged.

For example, the AUSTRAC proceedings and related class action, ASIC investigation, APRA inquiry, Royal Commission and BBSW proceedings described in Section 3.4 "Financial services industry regulatory environment" together with other current or future litigation or actions could result in penalties and costs, reputational damage, contractual damage claims, class actions or other claims by impacted CBA stakeholders (such as other regulators).

#### 4.3.3 CBA may be adversely affected by damage to its reputation

The Group's reputation is a valuable asset which is a key contributor to the support that it receives from the community for its business initiatives and its ability to raise funding or capital. Damage to CBA's reputation may arise where there are differences between stakeholder expectations and CBA's actual or perceived practices. The risk of reputational damage may also be a secondary outcome of other sources of risk.

Various issues, including a number of the risks described in this Section 4.3, may give rise to reputational damage and cause harm to CBA's business and prospects. These include the Group's conduct (for example, inadequate sales and trading practices, inappropriate management of conflicts of interest and other ethical issues), breaches of legal and regulatory requirements (such as money laundering, trade sanctions and privacy laws), technology and information security failures, unsuccessful strategies or strategies that are not in line with community expectations and non-compliance with internal policies and procedures. CBA's reputation may also be adversely affected by community perception of the broader financial services industry, or from the actions of its competitors, customers, suppliers, or companies in which CBA holds strategic investments.

Failure, or perceived failure, to address these issues appropriately could also give rise to additional legal or regulatory risk, subjecting CBA to regulatory enforcement actions, fines and penalties, or further damage its reputation and integrity among its stakeholders including customers, investors and the community.

#### 4.3.4 CBA may be adversely affected by deteriorations in the global financial markets

By the nature of its operations in various financial markets, CBA has previously been adversely impacted, both directly and indirectly, by difficult market conditions and could be adversely affected should markets deteriorate again in the future. A financial system (or systems) within which CBA operates may experience systemic shock due to market volatility, political or economic instability or catastrophic events.

A shock or deterioration to the global economy could result in currency and interest rate fluctuations and operational disruptions that negatively impact the Group. For example, global economic conditions may deteriorate to the extent that: counterparties default on their debt obligations; countries re-denominate their currencies and/or introduce capital controls; one or more major economies collapse; and/or global financial markets cease to operate, or cease to operate efficiently. Sovereign defaults may adversely impact CBA directly, through adversely impacting the value of CBA assets, or indirectly through destabilising global financial markets, adversely impacting CBA's liquidity, financial performance or ability to access capital.

#### 4.3.5 CBA may be adversely impacted by a downturn in the Australian and New Zealand economy

As CBA's businesses are primarily located in Australia and New Zealand, CBA's performance is dependent on the state of the economies, customer and investor confidence, and prevailing market conditions in these two countries.

CBA can give no assurances as to the likely future conditions of the Australian and New Zealand economies, which can be influenced by many factors within and outside these countries, which are outside CBA's control, including domestic and international economic events, political events, natural disasters and any other event which impacts global financial markets.

China is one of Australia's major trading partners and a significant driver of commodity demand and prices in the markets in which CBA and its customers operate. Anything that adversely affects China's economic growth could adversely affect Australian economic activity and, as a result, CBA's business, operations and financial condition.

The strength of the domestic economy is influenced by the strength of the Australian dollar. Significant movements in the Australian dollar may adversely impact parts of the domestic economy and, in turn, CBA's results of operations.

A material downturn in the Australian and/or New Zealand economies could adversely impact future results by reducing customers' demand for CBA's products and borrowers' abilities to repay their loans to CBA (i.e. credit risk). In particular, given CBA's concentration of earnings in home loans, a significant or sustained decrease in the Australian and New Zealand

housing markets or property valuations could adversely affect CBA's home and commercial mortgage portfolio and future results.

#### 4.3.6 CBA may incur losses associated with counterparty exposures

CBA assumes counterparty risk in connection with its lending, trading, derivatives, insurance and other businesses. For example, customers may default on their home, personal and business loans, and trades may fail to settle due to non-payment by a counterparty or systems failure by clearing agents, exchanges, or other financial intermediaries. This risk also arises from CBA's exposure to lenders mortgage insurance and re-insurance providers. There is also a risk that CBA's rights against counterparties may not be enforceable in certain circumstances.

Counterparties may default on their obligations due to insolvency, lack of liquidity, operational failure or other reasons. This risk may be increased by a deterioration in economic conditions and a sustained high level of unemployment. In assessing whether to extend credit or enter into other transactions, CBA relies on counterparties providing information that is accurate and not misleading, including financial statements and other financial information.

#### 4.3.7 CBA's results may be adversely affected by liquidity and funding risks

CBA is subject to liquidity and funding risks, which could adversely impact its future results. Liquidity risk is the risk of being unable to meet financial obligations as and when they fall due. Funding risk is the risk of over-reliance on a funding source to the extent that a change or increased competition in that funding source could increase overall funding costs or cause difficulty in raising funds.

**Further information on liquidity and funding risk is outlined in the following sub-sections and is also included in the Annual Report 2017. The Annual Report 2017 is available from the Shareholder Centre at [www.commbank.com.au/investors/annual-report.html](http://www.commbank.com.au/investors/annual-report.html).**

##### i) Adverse credit market conditions

While the majority of CBA's funding comes from deposits, it remains reliant on off-shore wholesale funding markets to source a significant amount of its funding.

Global market volatility may adversely impact CBA's cost and ability to access wholesale funding markets, and may also result in increased competition for, and therefore the cost of, deposits in Australia.

If CBA is unable to pass its increased funding costs on to its customers, CBA's financial performance will decline due to lower net interest margins. If CBA is unable to source appropriate and timely funding, it may also be forced to reduce its lending or consider selling assets.

##### ii) CBA's ability to maintain adequate levels of liquidity and funding

CBA's liquidity and funding policies are designed to ensure it will meet its debts and other obligations as and when they fall due. Although CBA actively monitors

and manages its liquidity and funding positions, there are factors outside CBA's control which could adversely affect these positions, for example, if financial markets are closed for an extended period of time.

### **iii) Failure to maintain credit ratings**

CBA's credit ratings affect the cost and availability of its funding from debt and other funding sources. Credit ratings could be used by potential customers, lenders and investors in deciding whether to transact with or invest in CBA.

A downgrade to CBA's credit ratings, or the ratings of the Commonwealth of Australia, could adversely affect CBA's funding and capital costs (including the availability of funding and capital), collateral requirements, liquidity position and global competitiveness.

Standard and Poor's outlook credit rating of CBA remains negative following a revision from stable in July 2016, as a result of concern about macroeconomic issues affecting Australia and the Australian Government.

Some ratings agencies also assign ratings to regulatory capital securities (such as PERLS X) for use by wholesale investors and may announce changes to their rating methodology and/or to the securities' ratings, either during the Offer Period or after PERLS X has been issued.

### **4.3.8 CBA may be adversely affected by capital adequacy risk**

CBA operates an Internal Capital Adequacy Assessment Process (ICAAP) to manage its capital levels and to maintain them above Board approved minimum levels (which are already set to exceed regulatory requirements). The ICAAP includes forecasting and stress testing of capital levels, which guide CBA in selecting any capital management initiatives it may undertake.

Should the ICAAP forecasts or stress tests not be adequate or comprehensive, CBA may not be holding sufficient capital and may need to raise capital to manage balance sheet growth and/or extreme stress.

### **4.3.9 CBA may be adversely affected by market risks, including exchange rates**

CBA is exposed to market risks, including the potential for losses arising from adverse changes in interest rates, foreign exchange rates, commodity and equity prices, credit spreads and implied volatility levels for assets and liabilities where options are transacted. This exposure is split between traded market risks, primarily through providing services to customers on a global basis, and non-traded market risks, predominantly interest rate risk in the banking book.

A significant proportion of CBA's wholesale funding and some of its profits are in currencies other than the Australian dollar. This exposes CBA to exchange rate risk on these activities, as its functional and financial reporting currency is the Australian dollar. These activities are hedged where appropriate, however there are also risks associated with hedging, for example, a hedge counterparty may default on its obligations to CBA.

### **4.3.10 CBA may incur losses from operational risks**

Operational risk is defined as the risk of economic gain or loss resulting from: (i) inadequate or failed internal processes and methodologies; (ii) people; (iii) systems and models used in making business decisions; or (iv) external events.

CBA's use of third party suppliers and third party partnerships, especially those where they supply CBA with critical services such as key technology systems or support, also expose it to operational risks, including the potential for a severe event at a third party (or adversely impacting a third party) to impact CBA.

CBA's businesses are highly dependent on their ability to process and monitor a very large number of transactions, many of which are highly complex, across multiple markets and in many currencies. CBA's financial, accounting, record-keeping, data processing or other operating systems, processes and facilities may fail to function properly or may become disabled as a result of events that are wholly or partly outside CBA's control, such as a spike in transaction volumes, damage to critical utilities, environmental hazard, natural disaster, or failure of vendors' systems. CBA could suffer losses due to impairment of assets, including software, goodwill and other intangible assets.

There is also a risk that poor decisions may be made due to data quality issues, models that are not fit for purpose, or inappropriate data management. This may cause CBA to incur losses, or result in regulatory action.

CBA may also be adversely impacted by failures in the efficacy, adequacy or implementation of its risk-management strategies, frameworks and processes. The emergence of unexpected risks or unanticipated impacts of identified risks may result in financial or reputational losses.

### **4.3.11 CBA is subject to compliance risks, which could adversely impact its future results**

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that CBA may suffer as a result of its failure to comply, or perceived failure to comply, with the requirements of relevant laws, regulatory bodies, industry standards and codes. Increasing volume, complexity and global reach of such requirements, and the increased propensity for sanctions and the level of financial penalties for breaches of requirements, could have an adverse impact on CBA. Compliance risk may also arise where CBA interprets its obligations differently to regulators or a court.

Compliance risk includes the risk to CBA of failing to comply with its financial crimes obligations, including the anti-money laundering and counter-terrorism financing laws, anti-bribery and corruption laws and economic and trade sanctions laws in the jurisdictions in which it operates, including the allegations made in the AUSTRAC proceedings. The number and wide reach of these obligations, combined with the increasing global focus on compliance with and enforcement of these obligations,

presents risk of adverse impacts on CBA, including to its reputation.

#### **4.3.12 CBA may be adversely impacted by information security risks, including cyber-attacks**

CBA's businesses are highly dependent on its information technology systems, including those supplied by external service providers, to securely process, store and transmit information. Information security risks for CBA, as for any other large financial institution, have increased in recent years, in part because of: (i) the pervasiveness of technology to conduct financial transactions; (ii) the evolution and development of new technologies; (iii) CBA's plans to continue to invest in digital channels; (iv) customers' increasing use of personal devices that are beyond CBA's control systems; and (v) the increased sophistication and broadened activities of cyber criminals.

An information security failure could have serious consequences for CBA, including operational disruption, financial losses, a loss of customer or business opportunities, litigation, regulatory penalties or intervention, reputational damage, theft of intellectual property, loss or theft of customer data, and could result in violations of applicable privacy laws, all of which could adversely impact CBA.

#### **4.3.13 CBA may incur losses as a result of the inappropriate conduct of its staff**

CBA could be adversely affected if an employee, contractor or external service provider does not act in accordance with regulations or CBA's policies and procedures, engages in inappropriate or fraudulent conduct, or unintentionally fails to meet a professional obligation to specific clients. Examples are product defects and unsuitability, market manipulation, insider trading, privacy or data security breaches, misleading or deceptive conduct in advertising and inadequate or defective financial advice. As a result, CBA could incur losses, financial penalties and reputational damage, and be subject to legal or regulatory action.

#### **4.3.14 CBA may be adversely affected by human capital risk**

CBA may be unable to attract, develop, motivate and retain its people to meet current and future business needs. This could result in poor financial and customer outcomes and a reduced ability to deliver against customer and other stakeholders' expectations.

#### **4.3.15 CBA may be adversely impacted by insurance risk**

Events that the CBA Group has provided insurance against may occur more frequently or with greater severity than anticipated. In the life insurance business, this risk arises primarily through mortality (death) and morbidity (illness and injury) related claims being greater than expected. In the general insurance business, this risk is mainly driven by weather related incidents (such as storms, floods or bushfires) and other calamities.

CBA's exposure to insurance risk is small relative to CBA's total size.

#### **4.3.16 CBA's results could be adversely impacted by strategic risks**

Strategic risk is the risk of material value destruction or less than planned value creation, due to an ineffective strategy. Many of the risks within this category are described in this Section 4.3. Other examples of strategic risks include:

- suboptimal strategic planning with regard to the strategic assets and/or capabilities required to enable delivery of strategy (for example, resource allocation processes that do not align to strategic objectives); and
- the inability of CBA to keep pace with changes in customer preferences and/or technology.

While the Board receives reports on and monitors business plans, major projects and the implementation of other significant initiatives, there can be no assurance that such plans, projects or initiatives will always be successful, or that they will not result in financial or reputational losses.

#### **4.3.17 CBA could be adversely impacted by investor activism**

In recent times, CBA has been increasingly challenged on its strategy by shareholders, including institutional shareholders, and special interest groups. Areas which have attracted investor activism in Australia include making socially responsible investment and avoiding financing or interacting with businesses that do not demonstrate responsible management of environmental and social issues. The prevalence of investor activism could adversely impact management's decision-making and implementation of CBA's initiatives, which in turn could adversely affect financial results.

#### **4.3.18 CBA is subject to intense competition which may adversely affect its performance**

CBA faces intense competition in all of its principal areas of operation. Competition is expected to increase, especially from non-Australian financial services providers who continue to expand in Australia, and from new non-bank entrants or smaller providers who may be unregulated or subject to lower or different prudential and regulatory standards than CBA and are therefore able to operate more efficiently. These entrants may seek to disrupt the financial services industry by offering bundled propositions and utilising new technologies.

If CBA is unable to compete effectively in its various businesses and markets, its market share may decline. Increased competition may also adversely affect CBA's results by creating pressure to lower margins.

#### **4.3.19 CBA's performance and financial position may be adversely affected by acquisitions or divestments of businesses**

From time to time, CBA evaluates and undertakes acquisitions of other businesses. There is a risk that CBA may not achieve the expected synergies from the acquisition, and may experience disruptions to its existing businesses due to difficulties in integrating the systems and processes of the acquired business. These may cause CBA to lose customers and market share, and incur financial losses. Multiple acquisitions at the same time may exacerbate these risks.

In relation to divestments, CBA may divest businesses or capabilities it considers non-core or wind down businesses or product areas. For example, as outlined in Section 3.2 "Businesses of CBA", CBA is currently undertaking a strategic review and restructuring of parts of its Wealth Management business.

There is a risk that CBA may experience disruptions in the divestment, transition or wind down process, including to existing businesses, which may cause customers to remove their business from CBA or have other adverse impacts to CBA.

#### **4.3.20 CBA could suffer losses due to climate change or catastrophic events**

CBA recognises that climate change poses a significant risk to our environment, our economy and our society. This includes physical risks, such as increases in temperatures, sea levels and the frequency and severity of adverse weather events, as well as risks introduced by the transition to a low carbon economy, such as those arising from changes in government policy or the rates of development or adoption of new low-carbon technologies.

CBA and its customers operate businesses and hold assets in a diverse range of geographical locations and industries that may be adversely affected by the effects of climate change.

Any significant external catastrophic event (including fire, storm, flood, earthquake, pandemic or other widespread health emergency, civil unrest, war or terrorism) in a location where CBA or its customers operate businesses and hold assets has the potential to disrupt business activities, impact CBA's operations, damage property and otherwise affect the value of assets held in the affected locations and CBA's ability to recover amounts owing to it. Climate change may impact the frequency or severity of some of these catastrophic events.

To celebrate the 100th year of our employee giving program, the CommBank Foundation is proud to be awarding \$10,000 grants to over 1000 youth-focused organisations across Australia, such as Arundel Park Riding for the Disabled



## Section FIVE

### Other Information

- 5.1 No material breaches of loan covenants or debt obligations
- 5.2 Other documents relevant to the Offer
- 5.3 Incorporation by reference
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- 5.6 Consents to be named
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- 5.9 Dealings in CommBank PERLS X Capital Notes
- 5.10 Personal information
- 5.11 ASX relief
- 5.12 Governing law
- 5.13 Consent of Directors

## 5.1 No material breaches of loan covenants or debt obligations

CBA has not materially breached any loan covenants or debt obligations in the two years prior to the date of this Prospectus.

## 5.2 Other documents relevant to the Offer

### 5.2.1 Trust Deed

Under the Trust Deed, the Trustee holds the rights in relation to PERLS X on trust for Holders. In certain circumstances, the Trustee will act on behalf of Holders.

### 5.2.2 Profit Announcement

The Profit Announcement for the half year ended 31 December 2017 contains certain financial information for the half year ended 31 December 2017, and further detail on the matters described in Section 3.4 “Financial services industry regulatory environment”.

### 5.2.3 Summary of the Offer Management Agreement

The Arranger and the Joint Lead Managers have entered into the Offer Management Agreement with CBA to manage the Offer.

A summary of the fees payable to the Arranger, Joint Lead Managers and other Syndicate Brokers is outlined in Section 5.7 “Interests of Advisers”.

### 5.2.4 Constitution

Holders may receive Ordinary Shares on Exchange. The rights and liabilities attaching to Ordinary Shares are set out in the Constitution and are also regulated by the Corporations Act, ASX Listing Rules and other applicable laws.

### 5.2.5 Availability of documents

CBA will provide a copy of any of the following documents free of charge to any person upon their written request during the Offer Period:

- the Profit Announcement for the half year ended 31 December 2017 lodged with ASIC by CBA;
- the Annual Report 2017 lodged with ASIC by CBA; and
- any continuous disclosure notices given by CBA in the period after the lodgement of the Annual Report 2017 and before the lodgement of this Prospectus with ASIC.

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

#### Investor Relations

Ground Floor, Tower 1  
201 Sussex Street  
Sydney NSW 2000

## 5.3 Incorporation by reference

CBA has lodged a summary of the Trust Deed, the full Trust Deed, a summary of the Constitution, the full Constitution and a summary of the Offer Management

Agreement with ASIC, and the information in each document is incorporated by reference into this Prospectus. These can be obtained free of charge from [www.comsec.com.au](http://www.comsec.com.au) during the Offer Period and from the Shareholder Centre at [www.commbank.com.au](http://www.commbank.com.au) after the Issue Date.

## 5.4 Summary of Australian tax consequences for Holders

### 5.4.1 Introduction

The following is a summary of the Australian tax consequences for certain Australian resident Holders and non-Australian resident Holders who subscribe for PERLS X under the Offer.

This summary is not exhaustive and you should seek advice from your financial or other professional adviser before deciding to invest in PERLS X. In particular, this summary does not consider the consequences for Holders who:

- acquire PERLS X otherwise than under the Offer;
- hold PERLS X in their business of share trading, dealing in securities or otherwise hold their PERLS X on revenue account or as trading stock;
- are subject to the “taxation of financial arrangements” provisions in Division 230 of the Tax Act in relation to their holding of PERLS X; and/or
- in relation to a non-Australian resident, hold their PERLS X through a permanent establishment in Australia.

This summary is not intended to be, nor should it be construed as being, investment, legal or tax advice to any particular Holder.

This summary is based on Australian tax laws and regulations, interpretations of such laws and regulations, and administrative practice as at the date of this Prospectus.

### 5.4.2 Class ruling sought on PERLS X

CBA has applied to the ATO for a public class ruling confirming certain Australian tax consequences for Australian resident Holders. In accordance with usual practice, a class ruling will only be issued sometime after the public announcement of a transaction and will not become operative until it is published in the Government Gazette.

When issued, copies of the class ruling will be available from [www.ato.gov.au](http://www.ato.gov.au) and from the Shareholder Centre at [www.commbank.com.au](http://www.commbank.com.au).

It is expected that, when issued, the class ruling will:

- only be binding on the Commissioner of Taxation if the Offer is carried out in the specific manner described in the class ruling;
- only apply to Australian resident Holders that are within the class of entities specified in the class ruling, which is expected to be Australian resident Holders who acquire their PERLS X through the Offer and hold them on capital account for tax purposes. Therefore, the class ruling will not apply to Australian resident

Holders who hold their PERLS X as trading stock or on revenue account;

- only rule on taxation laws applicable as at the date the class ruling is issued;
- not consider the tax consequences of an early Exchange or Resale;
- not consider the taxation treatment of Distributions received by partnerships or trustee investors; and
- not consider the tax consequences for Australian resident Holders for whom gains and losses from PERLS X are subject to the taxation of financial arrangements provisions in Division 230 of the Tax Act. It is noted that Division 230 will generally not apply to the financial arrangements of individuals, unless an election has been made for those rules to apply.

### 5.4.3 Distributions on PERLS X

PERLS X should be characterised as non-share equity interests for Australian income tax purposes.

#### 5.4.3.1 Australian resident Holders

Distributions should be treated as non-share dividends that are frankable.

Generally, provided that a Holder is a “qualified person” and the ATO does not make a determination under the dividend streaming rules to deny the benefit of the franking credits to the Holder, the Holder:

- should include the amount of the Distribution as well as an amount equal to the franking credits attached to the Distribution in their assessable income in the income year in which they received the Distribution; and
- should qualify for a tax offset equal to the franking credits attached to the Distribution which can be applied against their income tax liability for the relevant income year.

A Holder should be a “qualified person” if the “holding period rule” and the “related payments rule” are satisfied. Generally:

- to satisfy the “holding period rule”, a Holder must have held their PERLS X “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 they are acquired and ending on the 90th day after they become ex-distribution. To be held “at risk”, a Holder must retain 30% or more of the risks and benefits associated with holding their PERLS X. Where a Holder undertakes risk management strategies in relation to their PERLS X (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; and
- under the “related payments rule”, a Holder who is obliged to make a “related payment” (essentially a payment passing on the benefit of the Distribution) in respect of a Distribution must hold the PERLS X “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, they become ex-distribution.

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

There are anti-avoidance rules which can deny the benefit of franking credits to Holders in certain situations. The most significant of these rules is in section 177EA of the Tax Act.

The High Court in *Andrew Vincent Mills v FCT* [2012] HCA 51 (“**Mills**”) considered the operation of section 177EA in the context of the PERLS V securities issued by CBA on 14 October 2009. The High Court unanimously held that section 177EA did not apply in respect of frankable distributions paid on the PERLS V securities.

In light of the decision in *Mills*, and having regard to the ATO’s current practices, neither section 177EA, nor other anti-avoidance rules, should apply to Distributions on PERLS X, subject to the particular circumstances of a Holder.

#### 5.4.3.2 Non-Australian resident Holders

Distributions should not be subject to Australian non-resident withholding tax to the extent the Distributions are franked.

To the extent an unfranked Distribution is paid to non-Australian resident Holders, withholding tax will be payable. The rate of withholding tax is 30%. However, non-Australian resident Holders may be entitled to a reduction in the rate of withholding tax if they are resident in a country which has a double taxation agreement with Australia.

### 5.4.4 Disposal of PERLS X

#### 5.4.4.1 Disposal other than through Exchange

##### (a) Australian resident Holders

On the disposal (including on-market disposal or through Redemption) of PERLS X, Australian resident Holders will be required to include any gain in their assessable income in the income tax year in which the disposal occurs. The gain will generally be equal to the proceeds from the disposal less the cost of acquisition for their PERLS X. As PERLS X are not “traditional securities”, qualifying Holders (individuals, trusts and complying superannuation funds) who have held their PERLS X for at least 12 months prior to disposal may be eligible for the CGT discount concession on any capital gain made on disposal.

Any loss on the disposal (including an on-market disposal) of PERLS X should give rise to a capital loss for Holders under the CGT rules in the Tax Act. Capital losses are generally only deductible against capital gains, but can be carried forward for use in a later year.

If an Australian resident Holder realises a loss from an off-market disposal of PERLS X, they should seek their own advice as to whether a loss is allowed in their circumstances.

Although the class ruling will not cover Resale, the same consequences should arise if Australian resident Holders dispose of their PERLS X to a third party on Resale.

**(b) Non-Australian resident Holders**

As PERLS X are not “traditional securities”, non-Australian resident Holders should generally not be taxable on any gain realised on disposal of their PERLS X (as PERLS X should generally not be “taxable Australian property”).

**5.4.4.2 Disposal through Exchange**

Under specific provisions of the Tax Act, any gain or loss that would arise on Exchange should be disregarded. The consequence of this is that the gain or loss is effectively deferred, with a Holder’s cost base in the Ordinary Shares acquired on Exchange reflecting the Holder’s cost base in their PERLS X. This outcome applies both to Australian resident Holders and non-Australian resident Holders.

**5.4.5 Ordinary Shares acquired on Exchange**

**5.4.5.1 Australian resident Holders**

The taxation treatment of any dividends received on Ordinary Shares acquired on Exchange will be broadly similar to that discussed in Section 5.4.3.1 “Australian resident Holders”.

The Ordinary Shares will not be traditional securities. As such, any gain or loss realised on disposal should be taxable under the CGT provisions. For CGT purposes, the Ordinary Shares acquired on Exchange will be taken to have been acquired on the Exchange Date. This means that the Ordinary Shares would need to be held for at least 12 months after the Exchange Date in order for qualifying Holders (individuals, trusts and complying superannuation funds) to be eligible for the CGT discount concession on a subsequent disposal.

**5.4.5.2 Non-Australian resident Holders**

The tax treatment of any dividends received on Ordinary Shares will be broadly similar to that discussed in Section 5.4.3.2 “Non-Australian resident Holders”.

Non-Australian resident Holders should generally not be taxable on any gain realised on disposal of their Ordinary Shares (as the Ordinary Shares should generally not be “taxable Australian property”).

**5.4.6 Provision of TFN and/or ABN**

The *Taxation Administration Act 1953* (Cth) imposes withholding tax (currently at the rate of 47%) on the payment of distributions on certain types of investments such as the unfranked part (if any) of Distributions. On 17 August 2017, the Coalition Government introduced the Medicare Levy Amendment (National Disability Insurance Scheme Funding) Bill 2017 into the House of Representatives. If enacted in its current form, this

Bill would increase the Medicare levy from 2% to 2.5%, which would increase the sum of the highest marginal rate plus the Medicare levy (and hence the withholding tax rate) from 47% to 47.5%, for the 2019-20 income year and later income years.

However, where a Holder has provided CBA with their TFN or, in certain circumstances, their ABN, or has notified CBA that they are exempt from providing this information, CBA is not required to withhold any amount on account of tax from payments.

A Holder is not required to provide their TFN or ABN to CBA.

**5.4.7 GST**

GST is not payable on the issue, receipt, disposal, Exchange, Redemption or Resale of PERLS X.

GST is not payable in relation to the payment of Distributions, or repayment of the Face Value, by CBA.

**5.4.8 Stamp duty**

No stamp duty should be payable on the issue, receipt, disposal, Exchange, Redemption or Resale of PERLS X.

**5.5 US Persons**

PERLS X have not been and will not be registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. They may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, any US Person, unless an exemption from such registration applies. Any offer, sale or resale of PERLS X within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if made prior to 40 days after the Closing Date or if purchased by a dealer in the Offer.

The Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any US Person. Neither this Prospectus nor any Application Forms or other materials relating to the Offer may be distributed in the United States.

Each Applicant in the Offer will be taken to have represented, warranted and agreed on behalf of itself and each person for whom it is applying for PERLS X as follows:

- it is not located in the United States at the time of application and it is not, and is not acting for the account or benefit of, any US Persons;
- it has not distributed this Prospectus or any other written materials concerning the Offer to any person in the United States or to any US Persons; and
- it understands that PERLS X have not been and will not be registered under the US Securities Act and may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, any US Person, unless an exemption from such registration applies.

## 5.6 Consents to be named

Each of the parties named below has given its written consent to be named in this Prospectus in the form and context in which it is named and has not, at the date of this Prospectus, withdrawn its consent:

- Arranger;
- each Joint Lead Manager;
- each Co-Manager;
- Trustee;
- PricewaterhouseCoopers Securities Ltd;
- Herbert Smith Freehills;
- Greenwoods & Herbert Smith Freehills; and
- Registry.

Except as outlined above, none of the parties has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based. Each party, expressly disclaims all liability in respect of, makes no representations regarding, and takes no responsibility for, any statements in, or omissions from, this Prospectus. This applies to the maximum extent permitted by law and does not apply to any matter to the extent to which consent is given. The Trustee has not been involved in the preparation of any part of the Prospectus.

## 5.7 Interests of Advisers

CBA will pay to the Arranger a fee of A\$16 million, based on certain assumptions in relation to the final Offer size and the allocation of PERLS X between the Broker Firm Offer and Securityholder Offer.

The Arranger will pay (out of its own fees), on behalf of CBA, the Joint Lead Managers a management fee of 0.50%, and a selling fee of 0.75%, of their Broker Firm Allocation. The Arranger will pay, on behalf of CBA, the Co-Managers and Participating Brokers a selling fee of 0.75% of their Broker Firm Allocation.

CBA may pay to the Arranger, and in such circumstances the Arranger will pay on CBA's behalf to certain investors, a commitment fee of up to 0.75% of the Application Monies paid by those investors. This is subject to the satisfaction of certain conditions, including a minimum bid under the Bookbuild and a minimum holding period in respect of PERLS X allocated to those investors.

Fees payable by CBA to the Arranger and by the Arranger, on behalf of CBA, to the Joint Lead Managers, Co-Managers and Participating Brokers (each a "Syndicate Broker") are exclusive of any GST.

Herbert Smith Freehills is acting as Australian legal adviser (other than in relation to taxation) to CBA in relation to the Offer. In respect of this work, CBA estimates that approximately A\$180,000 (excluding disbursements and GST) will be payable to Herbert Smith Freehills. Further amounts may be paid to Herbert Smith Freehills under its normal time based charges.

Greenwoods & Herbert Smith Freehills is acting as Australian tax adviser to CBA in relation to the Offer. In respect of this work, CBA estimates that approximately

A\$50,000 (excluding disbursements and GST) will be payable to Greenwoods & Herbert Smith Freehills. Further amounts may be paid to Greenwoods & Herbert Smith Freehills under its normal time based charges.

PricewaterhouseCoopers Securities Limited is acting as accounting adviser to CBA in relation to the Offer and has performed specific agreed procedures relating to certain financial matters disclosed in this Prospectus. CBA estimates that approximately A\$90,000 (excluding disbursements and GST) will be payable to PricewaterhouseCoopers Securities Limited in respect of this work. Further amounts may be paid to PricewaterhouseCoopers Securities Limited under its normal time based charges.

The Trust Company (Australia) Limited is acting as the Trustee and CBA will pay to The Trust Company (Australia) Limited fees for performing this role.

Other than as disclosed 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 CBA;
- the Offer; or
- any property acquired or proposed to be acquired by CBA in connection with the Offer.

Other than as disclosed in this Prospectus, no person 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 Offer.

## 5.8 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director or any proposed Director (Matt Comyn is a proposed Director as described in Section 3.5 "Directors of CBA") holds at the date of this Prospectus, or has held in the two years before this date, an interest in:

- the formation or promotion of CBA;
- the Offer; or
- any property acquired or proposed to be acquired by CBA in connection with the Offer,

and no amount (whether in cash, PERLS X or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to the Directors or the proposed Director to induce that person to become, or qualify as a Director, or for services in connection with the formation or promotion of CBA or the Offer.

The Directors and proposed Director (and their respective associates) may acquire PERLS X under the Offer. Holdings of these securities are subject to the ASX Listing

Rules (including the waivers described in Section 5.11 "ASX relief"). Details of the Directors' holdings of Ordinary Shares and other securities of CBA are disclosed to, and available from, the ASX at [www.asx.com.au](http://www.asx.com.au). Details of the remuneration paid to Directors is set out in the Remuneration Report in the Annual Report 2017. The Annual Report 2017 can be obtained free of charge from the Shareholder Centre at [www.commbank.com.au/investors/annual-report.html](http://www.commbank.com.au/investors/annual-report.html).

## 5.9 Dealings in CommBank PERLS X Capital Notes

Subject to applicable legal requirements and with APRA's prior written approval (where required), CBA and other members of the CBA Group may subscribe for, purchase or resell PERLS X from time to time.

## 5.10 Personal information

If you lodge an Application, CBA will collect information about you. CBA will use this information to process your Application, identify you, administer your PERLS X and keep in touch with you in relation to your PERLS X.

CBA may disclose this information on a confidential basis for these purposes to its subsidiaries and related companies, as well as to 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). Some of these parties or parts of their businesses may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

CBA may share your information with its subsidiaries and related companies to:

- enable the CBA Group to have an integrated view of its customers and investors; and
- provide you with information about the CBA Group's products and services.

If you used a financial adviser who recommended your investment in PERLS X (as indicated on your Application Form), CBA may disclose details of your holding to that adviser.

CBA will also disclose this information if required or permitted to do so by law (e.g. taxation laws, social security laws or court orders) or the ASX Listing Rules or if you consent to or request the disclosure.

If you think CBA's records of your personal information are incorrect or out of date, you can contact CBA and request that the information be corrected. Subject to certain exceptions, you may access your information at any time by contacting the Registry in writing. CBA is permitted to charge a fee for such access but does not intend to do so.

You may choose not to provide your personal information or to limit the information you provide, in which case CBA may not be able to process your Application, administer your PERLS X, or make payments to you.

## 5.11 ASX relief

CBA has received the following ASX confirmations or waivers in relation to the Terms and the Offer:

- a confirmation that the Terms are appropriate and equitable for the purposes of listing rule 6.1;
- a confirmation that listing rule 6.12 does not apply to Exchange, or resale or repurchase of PERLS X;
- a confirmation that listing rule 7.1 is to be applied to CBA as if PERLS X were counted as the number of Ordinary Shares into which they would convert based on the market price of Ordinary Shares immediately prior to the announcement of the Offer;
- a waiver to listing rule 10.11 to permit the Directors and their associates collectively to participate in the Offer without shareholder approval subject to the Directors and their associates being restricted to applying for in aggregate no more than 0.20% of the number of PERLS X issued, and the participation of the Directors and their associates in the Offer being on the same terms and conditions as applicable to other subscribers for PERLS X; and
- approval to allow PERLS X to trade on a deferred settlement basis for a short time following the Issue Date and quotation of PERLS X on ASX.

## 5.12 Governing law

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

## 5.13 Consent of Directors

Each Director and the proposed Director (Matt Comyn) have authorised this prospectus and consented to its lodgement with ASIC.

Our large, diverse organisation has a range of skills that we donate through our employees to help not-for-profit organisations, community groups and social enterprises achieve their goals



## Section SIX

### How to Apply

- 6.1 Applying for CommBank PERLS X Capital Notes
- 6.2 Completing and lodging your Application
- 6.3 Issue and quotation of CommBank PERLS X Capital Notes
- 6.4 Trading and Holding Statements

## 6.1 Applying for CommBank PERLS X Capital Notes

To apply for PERLS X, you must complete the Application Form attached to, or accompanying, the Prospectus or the online Application Form at [www.commsec.com.au](http://www.commsec.com.au).

You may apply for PERLS X under one or more of:

- the Broker Firm Offer; or
- the Securityholder Offer.

The instructions for lodging your Application and accompanying Application Monies vary depending on whether you apply under the Broker Firm Offer or Securityholder Offer.

### 6.1.1 Applying under the Broker Firm Offer

The Broker Firm Offer is available to retail investors who are clients of a Syndicate Broker.

If you are applying under the Broker Firm Offer, you should contact the Syndicate Broker, who has offered you an allocation from their own Broker Firm Allocation, for information about how and when to lodge your Application and accompanying Application Monies. Generally, you will lodge your Application with your Syndicate Broker.

### 6.1.2 Applying under the Securityholder Offer

The Securityholder Offer is available to Eligible Securityholders.

You are an Eligible Securityholder if, on 9 March 2018, you:

- are a holder of Ordinary Shares; or
- are a holder of PERLS VI, PERLS VII, PERLS VIII or PERLS IX,

and:

- you have a registered address in Australia; or
- you have a registered address outside Australia and you satisfy the conditions outlined in “Restrictions on foreign jurisdictions” on the inside front cover of this Prospectus.

As an Eligible Securityholder, you may apply for PERLS X under the Securityholder Offer by either:

- completing the Application Form attached to, or accompanying, this Prospectus, providing your SRN or HIN, and lodging your Application and accompanying Application Monies with the Registry; or
- applying online at [www.commsec.com.au](http://www.commsec.com.au), providing your SRN or HIN, and following the instructions in relation to payment of your Application Monies.

### 6.1.3 Applications by Institutional Investors

If you are an Institutional Investor, you must apply to participate in the Offer by contacting the Arranger prior to the Bookbuild who will provide additional information about how to apply. CBA reserves the right to not accept Applications that appear to be Applications from Institutional Investors where they have not been received through the Arranger.

## 6.2 Completing and lodging your Application

### 6.2.1 Minimum Application

The amount you have to pay for each PERLS X is A\$100. You must apply for a minimum of 50 PERLS X (A\$5,000), and thereafter in multiples of 10 PERLS X (A\$1,000).

### 6.2.2 Lodging your Application (if you don't apply online at [www.commsec.com.au](http://www.commsec.com.au))

If you are applying under the Broker Firm Offer, you should contact the Syndicate Broker who has offered you an Allocation for information about how and when to lodge your Application. Generally, you will lodge your Application with your Syndicate Broker. CBA and the Registry take no responsibility for any acts or omissions by your Syndicate Broker in connection with your Application.

If you are applying under the Securityholder Offer (other than through a Syndicate Broker), you should lodge your Application and accompanying Application Monies with the Registry by mailing or delivering it to:

#### Mail Address

PERLS X Offer  
C/- Link Market Services Limited  
Reply Paid 3560  
Sydney NSW 2001  
Australia

#### Delivery Address

PERLS X Offer  
C/- Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138  
Australia

Application Monies must be paid by cheque and/or money order in Australian dollars drawn on an Australian branch of a financial institution. It should be made payable to “PERLS X Offer Account” and be crossed “not negotiable”.

Applications and Application Monies must be received at one of the above addresses by 5.00pm (Sydney time) on the Closing Date which is expected to be 29 March 2018.

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

### 6.2.3 No brokerage or stamp duty

You do not have to pay brokerage or stamp duty on your Application for PERLS X. However, you may have to pay brokerage (and applicable GST) on any subsequent purchases or sales of PERLS X on ASX.

### 6.2.4 Allocation policy and refunds

Applications may be scaled back if there is excess demand for the Offer. This scaling will apply to all applications under the Securityholder Offer.

If your Application is accepted, this does not mean that your Application will be accepted in full as CBA reserves the right to scale back your Application. Any scale back

and the basis of Allocation will be announced on the date that deferred settlement trading commences (expected to be 9 April 2018) on ASX and through advertisements in The Australian and The Australian Financial Review newspapers.

If you have applied under the Broker Firm Offer, your Syndicate Broker is responsible for determining your particular allocation from their own Broker Firm Allocation. CBA takes no responsibility for any allocation, scale-back or rejection that is decided by your Syndicate Broker.

Until PERLS X are Issued, CBA 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.

If you are not Allocated any PERLS X or less than the number of PERLS X you applied for, you will receive a refund cheque as soon as practicable after the Closing Date. No interest will be payable on Application Monies which are refunded. Any interest earned in the trust account will be retained by CBA.

### 6.3 Issue and quotation of CommBank PERLS X Capital Notes

CBA has applied for PERLS X to be quoted on ASX.

It is expected that PERLS X will be quoted under code "CBAPG".

If ASX does not grant permission for PERLS X to be quoted by the Issue Date, PERLS X will not be Issued and all Application Monies will be refunded (without interest) as soon as practicable.

## 6.4 Trading and Holding Statements

### 6.4.1 Commencement of trading of PERLS X on ASX

It is expected that PERLS X will begin trading on ASX on a deferred settlement basis on 9 April 2018. Trading on a deferred settlement basis occurs when Holding Statements have not yet been despatched and it is not possible to settle trades on a trade date plus two business days (T+2) basis. The trade is settled on a date specified by ASX.

It is expected that PERLS X will begin trading on ASX on a normal settlement basis on 11 April 2018.

It is your responsibility to determine your holding of PERLS X before trading to avoid the risk of selling PERLS X you do not own. To assist you in determining your holding prior to receipt of a Holding Statement, CBA will announce the basis of Allocation by placing advertisements in The Australian and The Australian Financial Review newspapers on or around the date that deferred settlement trading commences (expected to be 9 April 2018). You should also check your holding by asking your Syndicate Broker or calling the PERLS X Information Line on 1300 794 935 (Monday to Friday 8.00am - 7.30pm, Sydney time) from the Issue Date.

### 6.4.2 Holding Statements

CBA has applied for PERLS X to participate in CHESSE and, if accepted, no certificates will be issued. Instead, a Holding Statement will be mailed to Holders.

If your holding of PERLS X changes, you will receive an updated Holding Statement.

### 6.4.3 Provision of TFN and/or ABN

When your Holding Statement is mailed, you will be also be mailed a form on which to provide your TFN and/or ABN should you wish to do so (see Section 5.4.6 "Provision of TFN and/or ABN").

### 6.4.4 Provision of bank account details for payments

When your Holding Statement is mailed, you will be also be mailed a form on which to provide your bank account details for payment of Distributions and other amounts.

**Section SIX** How to Apply *(continued)*

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Great teachers inspire students, families and communities. Through the Commonwealth Bank Teaching Awards, we hope to elevate the teaching profession and inspire Australian educators



# Section **SEVEN**

## Glossary

KEY DATES

SECTION 1

SECTION 2

SECTION 3

SECTION 4

SECTION 5

SECTION 6

SECTION 7

APPENDIX A

Term	Meaning
<b>ABN</b>	Australian Business Number
<b>Allocation</b>	The number of PERLS X allocated under this Prospectus to Applicants under the Broker Firm Offer and Securityholder Offer. Allocated has a corresponding meaning
<b>Annual Report 2017</b>	The annual report issued by CBA for the financial year ended 30 June 2017
<b>Applicant</b>	A person who lodges an Application Form in accordance with this Prospectus
<b>Application</b>	A valid application for PERLS X made through a completed Application Form in accordance with this Prospectus
<b>Application Form</b>	A paper or online form (as the context requires) attached to, or accompanying, this Prospectus or available at <a href="http://www.commsec.com.au">www.commsec.com.au</a> upon which an application for PERLS X may be made
<b>Application Monies</b>	The amount payable on each Application, being the Initial Face Value multiplied by the number of PERLS X applied for
<b>APRA</b>	Australian Prudential Regulation Authority
<b>Arranger</b>	Commonwealth Bank of Australia ABN 48 123 123 124
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASIC Guidance</b>	The guidance on hybrid securities published by ASIC on its MoneySmart website which can be found by searching “hybrid securities” at <a href="http://www.moneysmart.gov.au">www.moneysmart.gov.au</a>
<b>ASX</b>	ASX Limited ABN 98 008 624 691 or the securities market operated by it (as the context requires)
<b>ASX Listing Rules</b>	The listing rules of ASX, with any modification or waivers which ASX may grant to CBA from time to time
<b>ATO</b>	Australian Taxation Office
<b>Australian Financial Services Licence or AFSL</b>	Has the meaning given to that term in the Corporations Act
<b>Banking Act</b>	Banking Act 1959 (Cth)
<b>Board</b>	The board of directors of CBA or a committee appointed by the board of directors of CBA
<b>Bookbuild</b>	The process conducted before the Offer opens where brokers and investors bid for PERLS X and, on the basis of those bids, CBA sets the final Margin and announces it on ASX
<b>Broker Firm Allocation</b>	The Allocation allocated to a Syndicate Broker through the Bookbuild process
<b>Broker Firm Offer</b>	The offer to clients of Syndicate Brokers as described in Section 6 “How to Apply”
<b>Business Day</b>	A day which is: (a) a business day within the meaning of the ASX Listing Rules; and (b) for the purposes of calculation or payment of a Distribution, a date on which banks are open for general business in Sydney
<b>Call Date</b>	15 April 2025
<b>Capital Framework Discussion Paper</b>	See Section 3.8.1.4 “Regulatory developments”
<b>Capital Trigger Event</b>	Occurs when CBA determines, or APRA notifies CBA in writing that it believes, that either or both the CBA Level 1 Common Equity Tier 1 Capital Ratio or CBA Level 2 Common Equity Tier 1 Capital Ratio is equal to or less than 5.125%

Term	Meaning
<b>CBA</b>	Commonwealth Bank of Australia ABN 48 123 123 124, including foreign branches of Commonwealth Bank of Australia
<b>CBA Group</b>	CBA (or any NOHC that is a holding company of CBA) and its subsidiaries
<b>CBA Level 1 Common Equity Tier 1 Capital Ratio</b>	In respect of the CBA Level 1 Group, the ratio of the Common Equity Tier 1 Capital of the CBA Level 1 Group to the risk-weighted assets of the CBA Level 1 Group, calculated in accordance with APRA's prudential standards (as amended from time to time)
<b>CBA Level 1 Group</b>	CBA, or the "extended licensed entity" which is comprised of CBA and each subsidiary of CBA as specified in any approval granted by APRA in accordance with APRA's prudential standards (as amended from time to time)
<b>CBA Level 2 Common Equity Tier 1 Capital Ratio</b>	In respect of the CBA Level 2 Group, the ratio of the Common Equity Tier 1 Capital of the CBA Level 2 Group to the risk-weighted assets of the CBA Level 2 Group, calculated in accordance with APRA's prudential standards (as amended from time to time)
<b>CBA Level 2 Group</b>	CBA and each subsidiary that is recognised by APRA as part of CBA's Level 2 group in accordance with APRA's prudential standards (as amended from time to time)
<b>Change of Control Event</b>	Occurs when: <ul style="list-style-type: none"> <li>a takeover bid is made and certain conditions are satisfied; or</li> <li>a scheme of arrangement that is proposed is approved and certain conditions are satisfied</li> </ul> <p>A Change of Control Event does not include the implementation of a NOHC structure</p>
<b>CHESS</b>	Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited ABN 49 008 504 532
<b>CGT</b>	Capital Gains Tax
<b>Closing Date</b>	The closing date for the Offer which is expected to be 29 March 2018
<b>Co-Managers</b>	Crestone Wealth Management Limited; Ord Minnett Limited; and Shaw and Partners Limited
<b>Common Equity Tier 1 Capital</b>	Ordinary share capital, retained earnings and certain other items recognised as capital under APRA's prudential standards
<b>Common Equity Tier 1 Capital Ratio</b>	The ratio of the Common Equity Tier 1 Capital to risk-weighted assets, calculated in accordance with APRA's prudential standards (as amended from time to time)
<b>Constitution</b>	The constitution of CBA as amended from time to time
<b>Corporations Act</b>	The Corporations Act 2001 (Cth)
<b>Directors</b>	Some or all of the directors of CBA
<b>Distribution</b>	Interest payable on PERLS X under the Terms
<b>Distribution Payment Dates</b>	In respect of each PERLS X, 15 March, 15 June, 15 September and 15 December each year until that PERLS X has been Exchanged or Redeemed, and also the Exchange Date or Redemption Date. If any of these Distribution Payment Dates is not a Business Day, then the payment will be made in accordance with clause 9.3 of the Terms. The first Distribution Payment Date is 15 June 2018

<b>Term</b>	<b>Meaning</b>
<b>Distribution Period</b>	Each period commencing on (and including) a Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date, whether or not a Distribution is, or is able to be, paid on that date. However: (a) the first Distribution Period commences on (and includes) the Issue Date; and (b) the final Distribution Period ends on (but excludes) the Exchange Date or Redemption Date, as applicable
<b>Distribution Rate</b>	$(\text{Market Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$
<b>Eligible Securityholder</b>	Holders of Ordinary Shares, PERLS VI, PERLS VII, PERLS VIII and PERLS IX as described in Section 6.1.2 “Applying under the Securityholder Offer”
<b>Equal Ranking Securities</b>	Each of PERLS VI, PERLS VII, PERLS VIII, PERLS IX, PERLS X, and any preference shares in the capital of CBA or any other securities which rank or are expressed to rank equally with PERLS X in a winding up of CBA, present and future, excluding any Junior Ranking Securities
<b>Exchange</b>	The exchange of all, some or a proportion of each PERLS X for Ordinary Shares under the Terms and Exchanged has a corresponding meaning
<b>Exchange Number</b>	The number of Ordinary Shares on Exchange calculated in accordance with Clause 7.1 of the Terms
<b>Face Value</b>	A\$100 per PERLS X (Initial Face Value) reduced (if applicable) by the amount of Face Value per PERLS X which has previously been Exchanged or the amount of Face Value per PERLS X for which Holders’ rights have been irrevocably terminated
<b>FATCA</b>	Foreign Account Tax Compliance Act (“FATCA”) incorporated in sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (or any consolidation, amendment, re-enactment or replacement of those sections and including any current or future regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those sections) and includes the Double Tax Agreement (United States of America – FATCA) Order 2014
<b>GST</b>	Goods and Services Tax as defined in A New Tax System (Goods and Services Tax) Act 1999 (Cth)
<b>HIN</b>	The holder identification number identifying the registration on the Register
<b>Holder</b>	A person whose name is entered in the Register as a holder of PERLS X
<b>Holding</b>	At any time after Allocation, the number of PERLS X held by a Holder
<b>Holding Statement</b>	A statement issued to Holders by the Registry which sets out the number of PERLS X Issued to that Holder
<b>Ineligible Holder</b>	Has the meaning given in Clause 13.2 of the Terms
<b>Institutional Investor</b>	An investor to whom PERLS X are able to be offered under applicable laws without the need for any prospectus, registration or other formality (other than a registration or formality which CBA is willing to comply with)
<b>IRS</b>	The United States Internal Revenue Service
<b>Issue</b>	The process of issuing PERLS X to Holders. Issued has a corresponding meaning
<b>Issue Date</b>	The date on which PERLS X are Issued which is expected to be 6 April 2018
<b>Joint Lead Managers</b>	Commonwealth Bank of Australia; ANZ Securities Limited; Morgan Stanley Australia Securities Limited; Morgans Financial Limited; and Westpac Institutional Bank
<b>Junior Ranking Securities</b>	All Ordinary Shares, present and future
<b>Leverage Ratio</b>	See Section 3.8.1.1 “Capital generally”
<b>Leverage Ratio Discussion Paper</b>	See Section 3.8.1.4 “Regulatory developments”

Term	Meaning
<b>Mandatory Exchange Conditions</b>	The conditions in Clause 3.2 of the Terms which must be satisfied before Exchange will occur. These are outlined in Section 2.3 “Mandatory Exchange”
<b>Mandatory Exchange Date</b>	15 April 2027 or such other date as determined under clause 3.1 of the Terms
<b>Margin</b>	The margin is 3.40% per annum
<b>Market Rate</b>	The rate (expressed as a percentage per annum) for a term of 90 days as displayed on the “BBSW” page of the Reuters Monitor System (or any page that replaces that page)
<b>Maximum Exchange Number</b>	The number of Ordinary Shares calculated in accordance with the formula in Clause 7.1 of the Terms
<b>NOHC</b>	A “non-operating holding company” within the meaning of the Banking Act
<b>NOHC Event</b>	Occurs when the Board initiates a restructure of the CBA Group and a NOHC becomes the ultimate holding company of CBA
<b>Non-Viability Trigger Event</b>	Occurs when APRA notifies CBA in writing that it believes: <ul style="list-style-type: none"> <li>• Exchange of all or some PERLS X (or the taking of an action in relation to other capital instruments of the CBA Group) is necessary because, without it, CBA would become non-viable; or</li> <li>• a public sector injection of capital or equivalent support, is necessary because, without it, CBA would become non-viable</li> </ul>
<b>Offer</b>	The invitation by CBA in this Prospectus to subscribe for PERLS X
<b>Offer Management Agreement</b>	The arrangement between CBA, the Arranger and Joint Lead Managers dated on or about 7 March 2018
<b>Offer Period</b>	The period from the Opening Date to the Closing Date
<b>Opening Date</b>	The opening date of the Offer which is 15 March 2018
<b>Ordinary Share</b>	A fully paid ordinary share in the capital of CBA
<b>Original Prospectus</b>	The prospectus dated 7 March 2018 and lodged with ASIC on that day, which was replaced with this Prospectus
<b>Participating Brokers</b>	Any participating organisation of ASX selected by CBA or the Arranger to participate in the Bookbuild
<b>PERLS VI</b>	Perpetual Exchangeable Resaleable Listed Securities issued by CBA in October 2012
<b>PERLS VII</b>	CommBank PERLS VII Capital Notes issued by CBA in October 2014
<b>PERLS VIII</b>	CommBank PERLS VIII Capital Notes issued by CBA in March 2016
<b>PERLS IX</b>	CommBank PERLS IX Capital Notes issued by CBA in March 2017
<b>PERLS X</b>	CommBank PERLS X Capital Notes to be issued by CBA under the Terms
<b>Prospectus</b>	This Prospectus (whether in paper or electronic format) as supplemented or replaced
<b>Purchaser</b>	Means one or more third parties selected by CBA in its absolute discretion (which cannot be CBA, a member of the CBA Group or a related body corporate of CBA)
<b>Record Date</b>	For payment of Distributions: <ul style="list-style-type: none"> <li>(a) the date that is eight calendar days prior to the relevant Distribution Payment Date; or</li> <li>(b) such other date determined by CBA in its absolute discretion and communicated to ASX,</li> </ul> or in either case such other date as may be required by, or agreed with, ASX

<b>Term</b>	<b>Meaning</b>
<b>Redemption</b>	The process through which CBA repays the Face Value of all or some PERLS X under the Terms. Redeem and Redeemed have corresponding meanings
<b>Redemption Date</b>	In respect of each PERLS X, the date specified by CBA as the Redemption Date in accordance with clause 5 of the Terms
<b>Register</b>	The register of PERLS X maintained by the Registry on CBA's behalf, and where appropriate including any subregister established and maintained in CHESS and any branch register
<b>Registry</b>	Link Market Services Limited ABN 54 083 214 537 or any other person appointed by CBA to maintain the Register
<b>Resale</b>	The sale of PERLS X by Holders to the Purchaser in accordance with clause 6 of the Terms. Resell and Resold have corresponding meanings
<b>Securityholder Offer</b>	The offer to Eligible Securityholders as described in Section 6 "How to Apply"
<b>Securityholder Offer Record Date</b>	9 March 2018
<b>Senior Ranking Obligations</b>	All deposits and other liabilities, securities (including Tier 2 Capital securities) and other obligations of CBA, present and future, other than Equal Ranking Securities or Junior Ranking Securities
<b>Shareholder</b>	A registered holder of Ordinary Shares in CBA
<b>Special Resolution</b>	Has the meaning given in Clause 13.2 of the Terms
<b>SRN</b>	Shareholder Registration Number
<b>Syndicate Broker</b>	Any of the Joint Lead Managers and Co-Managers
<b>Tax Act</b>	Income Tax Assessment Act 1936 (Cth) and, where applicable, the Income Tax Assessment Act 1997 (Cth) (both as amended from time to time)
<b>Terms</b>	The terms of PERLS X attached as a schedule to the Trust Deed, as set out in Appendix A
<b>TFN</b>	Tax File Number
<b>Tier 1 Capital</b>	Common Equity Tier 1 Capital and certain securities recognised as Tier 1 Capital under APRA's prudential standards, on the relevant Level 1 or Level 2 basis, as defined by APRA from time to time
<b>Tier 2 Capital</b>	Certain securities recognised as Tier 2 Capital under APRA's prudential standards, on the relevant Level 1 or Level 2 basis, as defined by APRA from time to time
<b>Total Capital</b>	Sum of Tier 1 Capital (including Common Equity Tier 1 Capital) and Tier 2 Capital
<b>Trust Deed</b>	The deed entered into between CBA and the Trustee dated on or about 7 March 2018
<b>Trustee</b>	The Trust Company (Australia) Limited or any replacement trustee under the Trust Deed (who cannot be CBA, a member of the CBA Group or a related body corporate of CBA)
<b>US Person</b>	Has the meaning given in Regulation S of the US Securities Act
<b>US Securities Act</b>	United States Securities Act of 1933, as amended
<b>VWAP</b>	The average of the daily volume weighted average prices of Ordinary Shares traded on ASX during the relevant period, subject to any adjustments made under clause 7 of the Terms

# Appendix A

## Terms of CommBank PERLS X Capital Notes

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The following are the Terms which apply to each CommBank PERLS X Capital Note. Each Holder and any person claiming through or under a Holder is entitled to the benefit of, is bound by, and is taken to have notice of, these Terms, the Trust Deed and Prospectus.

### 1 Form of PERLS X and ranking

#### 1.1 Form

- (a) PERLS X are perpetual, subordinated, unsecured notes of CBA, issued in registered form by entry in the Register.
- (b) Each entry in the Register evidences a separate and independent obligation which CBA owes to the relevant Holder, which that Holder may enforce without joining any other Holder or any previous Holder.
- (c) No certificates will be issued to Holders unless CBA is required to provide certificates by any applicable law or regulation.

#### 1.2 Initial Face Value

Each PERLS X is issued fully paid with an initial Face Value of A\$100.

#### 1.3 CHESS

While PERLS X remain in CHESS, all dealings (including transfers and payments) in relation to PERLS X within CHESS, and the rights and obligations of each Holder, are subject to the rules and regulations of CHESS. To the extent there are inconsistencies between the rules and regulations of CHESS and the Terms, the Terms prevail.

#### 1.4 ASX quotation

CBA must use all reasonable endeavours to procure that PERLS X are quoted on ASX on or as soon as possible after the Issue Date.

#### 1.5 Payment and ranking in a winding up of CBA

- (a) If an order is made by a court of competent jurisdiction in Australia (other than an order successfully appealed or permanently stayed within 30 days), or an effective resolution is passed, for the winding up of CBA in Australia, CBA must redeem each PERLS X for its Face Value in accordance with this clause.
- (b) Neither the Trustee nor any Holder has any right to prove in a winding up of CBA in respect of PERLS X, other than a right to prove in a winding up of CBA in Australia as permitted under clauses 1.5(c) and 1.5(d).
- (c) Each PERLS X ranks for payment in a winding up of CBA in Australia:
  - (i) after the claims of all holders of Senior Ranking Obligations;
  - (ii) equally with each Holder and holders of Equal Ranking Securities; and
  - (iii) ahead of holders of Junior Ranking Securities.
- (d) In order to give effect to the ranking specified in clause 1.5(c), in any winding up of CBA in Australia,

the claims of Holders are limited to the extent necessary to ensure that:

- (i) all holders of Senior Ranking Obligations receive payment in full before any payment is made to Holders; and
  - (ii) Holders of PERLS X and holders of any Equal Ranking Securities receive payments on a pro-rata basis.
- (e) Nothing in this clause limits the ability of CBA to, in its absolute discretion from time to time, issue further Senior Ranking Obligations or Equal Ranking Securities.
  - (f) Neither the Trustee nor any Holder may exercise voting rights as a creditor in respect of PERLS X in a winding up of CBA to defeat the subordination in this clause.
  - (g) PERLS X are perpetual and the terms of PERLS X do not include events of default or any other provisions entitling the Trustee or the Holders to require that PERLS X be Redeemed other than under this clause 1.5. Neither the Trustee nor any Holder has any right to apply for the winding up or administration of CBA, or to cause a receiver, or receiver and manager, to be appointed in respect of CBA, on the ground of CBA's failure to pay Distributions or for any other reason.
  - (h) To avoid doubt but subject to clause 4.6, if a Capital Trigger Event or Non-Viability Trigger Event has occurred, Holders (or if applicable the Trustee) will rank for payment in a winding up of CBA in Australia as holders of the number of Ordinary Shares to which they became entitled under clauses 4.1 or 4.2.

#### 1.6 No set off

- (a) CBA has no right to set-off any amounts owing by it to a Holder in respect of PERLS X against any claims owing by the Holder to it or to any member of the CBA Group.
- (b) No Holder has any right to set-off any amounts, merge accounts or exercise any other rights the effect of which is or may be to reduce the amount payable by CBA in respect of PERLS X to the Holder.

#### 1.7 Not deposit liabilities of CBA

- (a) PERLS X are not deposit liabilities or "protected accounts" of CBA for the purpose of the Banking Act.
- (b) No member of the CBA Group guarantees PERLS X and no member of the CBA Group, other than CBA, has any liability for PERLS X.

#### 1.8 No other rights

Before Exchange, PERLS X confer no rights on a Holder:

- (a) to attend or vote at any meeting of CBA members;
- (b) to subscribe for new securities of CBA or to participate in any bonus issues of securities of CBA; or
- (c) to otherwise participate in the profits or property of CBA, except by receiving payments as set out in these Terms.

## 2 Distributions

### 2.1 Distributions

- Each PERLS X bears interest on its Face Value during each Distribution Period from (and including) the Issue Date to (but excluding) the Exchange Date or Redemption Date for that PERLS X, at the Distribution Rate.
- Interest on each PERLS X is payable in arrears on each Distribution Payment Date.
- Payment of interest on each PERLS X is subject to clauses 2.5, 2.6 and 9.

### 2.2 Distribution Rate determination

The Distribution Rate (expressed as a percentage per annum) for each Distribution Period is the rate calculated according to the following formula:

**Distribution Rate =**

**(Market Rate + Margin) x (1 – Tax Rate)**

where:

**Market Rate** means the Bank Bill Swap Reference Rate administered by ASX Benchmarks Pty Limited (or any other person that take on the administration of that rate) expressed as a percentage per annum for a term of 90 days as displayed on the “BBSW” page of the Reuters Monitor System (or any page that replaces that page) on the first Business Day of the Distribution Period. However, if that rate is not displayed by 10:30 am on that day, or if it is displayed but CBA determines that there is a manifest error in that rate, **Market Rate** means the rate specified by CBA in good faith at or around 10:30 am on that day, having regard, to the extent possible, to:

- the rates otherwise bid and offered for prime bank eligible securities of a term of 90 days (plus or minus 5 business days) at or around that time on that day (including any displayed on the “BBSW” page of the Reuters Monitor System (or its successor or replacement page)); and
- if bid and offer rates for prime bank eligible securities of a term of 90 days (plus or minus 5 business days) are not otherwise available, the rates otherwise bid and offered for funds of a term of 90 days (plus or minus 5 business days) at or around that time on that day;

**Margin** means the rate (expressed as a percentage per annum) determined under the Bookbuild; and

**Tax Rate** means the Australian corporate tax rate on the relevant Distribution Payment Date (expressed as a decimal).

### 2.3 Calculation of Distributions

The Distribution payable on each PERLS X for each Distribution Period is calculated according to the following formula:

**Distribution payable =  $\frac{\text{Distribution Rate} \times \text{Face Value} \times \text{N}}{365}$**

where:

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

### 2.4 Adjustment to calculation of Distributions if not fully franked

If any Distribution is not franked to 100% under Part 3-6 of the Tax Act, the Distribution will be calculated according to the following formula:

**Distribution payable =  $\frac{D}{1 - [T \times (1 - F)]}$**

Where:

**D** means the Distribution calculated under clause 2.3;

**T** means the Australian corporate tax rate on the relevant Distribution Payment Date (expressed as a decimal); and

**F** means the franking percentage (as defined in Part 3-6 of the Tax Act) applicable to the franking account of CBA on the relevant Distribution Payment Date (expressed as a decimal).

### 2.5 Distribution payment conditions

The payment of any Distribution on any Distribution Payment Date is subject to:

- CBA, in its absolute discretion, making the Distribution to Holders;
- the payment of the Distribution not resulting in a breach of CBA’s capital requirements under APRA’s prudential standards as they are applied to the CBA Level 1 Group or the CBA Level 2 Group or both at the time of the payment;
- the payment of the Distribution not resulting in CBA becoming, or being likely to become, Insolvent; and
- APRA not otherwise objecting to the payment of the Distribution.

No Distribution will be paid on Exchange where Exchange occurs due to a Capital Trigger Event or Non-Viability Trigger Event.

CBA must notify ASX at least five Business Days before the relevant Record Date (or, if later, as soon as it decides not to make the Distribution) if payment of any Distribution will not be made because of this clause.

### 2.6 Distributions are discretionary and non-cumulative

If payment of any Distribution is not made for any reason, CBA has no liability to pay that unpaid Distribution.

### 2.7 Dividend and capital restrictions in the event of non-payment

- Subject to clause 2.7(b), if any Distribution is not paid to Holders in full on the relevant Distribution Payment Date, then CBA must not, without the approval of a Special Resolution:
  - declare or determine a dividend; or
  - return any capital or undertake any buy-backs or repurchases,

(together **Restricted Actions**) in relation to any Ordinary Shares, unless the amount of any unpaid Distribution is paid in full within five Business Days of that date. If, on a subsequent Distribution Payment Date, a Distribution is paid in full, or if all PERLS X

have been Exchanged, Redeemed or otherwise terminated, then these restrictions cease to apply.

- (b) Clause 2.7(a) does not apply to:
- (i) Restricted Actions which CBA is legally obliged to pay or complete at the time any Distribution is not paid in full to Holders on a relevant Distribution Payment Date; or
  - (ii) Restricted Actions in connection with:
    - (A) any employment contract, employee share scheme, employee rights or option 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
    - (B) CBA or any of its Related Bodies Corporate purchasing Ordinary Shares in connection with transactions for the account of customers of CBA or customers of any of its Related Bodies Corporate.

## 2.8 Notification of Distribution Rate, Distribution payable and other items

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

## 2.9 Determination final

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

## 2.10 Calculations

For the purposes of any calculations required under these Terms:

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

# 3 Mandatory Exchange

## 3.1 Mandatory Exchange

Subject to clauses 4.1, 4.2, 4.6 and 5, CBA must Exchange all (but not some) PERLS X on issue on the date that is the earlier of:

- (a) 15 April 2027 (**Scheduled Mandatory Exchange Date**); and
- (b) the first Distribution Payment Date after the Scheduled Mandatory Exchange Date,

(each a **Mandatory Exchange Date**) on which the Mandatory Exchange Conditions are satisfied.

## 3.2 Mandatory Exchange Conditions

- (a) The Mandatory Exchange Conditions for each Mandatory Exchange Date are:
  - (i) the VWAP on the 25<sup>th</sup> Business Day on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Exchange Date is greater than 56.00% of the Issue Date VWAP (**First Mandatory Exchange Condition**);
  - (ii) the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Exchange Date is greater than 50.51% of the Issue Date VWAP (the **Second Mandatory Exchange Condition**); and
  - (iii) Ordinary Shares have not been Delisted as at the Mandatory Exchange Date (**Third Mandatory Exchange Condition**).
- (b) If the First Mandatory Exchange Condition is not satisfied, CBA will announce to ASX between the 25<sup>th</sup> and the 21<sup>st</sup> Business Day before the Mandatory Exchange Date that Exchange will not proceed on the Mandatory Exchange Date.
- (c) If the Second Mandatory Exchange Condition or Third Mandatory Exchange Condition is not satisfied, CBA will notify Holders on or as soon as practicable after the Mandatory Exchange Date that Exchange did not occur.

# 4 Early Exchange

## 4.1 Capital Trigger Event

- (a) A **Capital Trigger Event** occurs when:
  - (i) CBA determines; or
  - (ii) APRA notifies CBA in writing that it believes, that either or both the CBA Level 1 Common Equity Tier 1 Capital Ratio or CBA Level 2 Common Equity Tier 1 Capital Ratio is equal to or less than 5.125%. CBA must immediately notify APRA in writing if it makes a determination under clause 4.1(a)(i).
- (b) If a Capital Trigger Event occurs, CBA must Exchange such number of PERLS X (or, if it so determines, such percentage of the Face Value of each PERLS X) as is sufficient (taking into account any exchange, conversion or write down of Relevant Securities as referred to in paragraph (c) below) to return either or

both the CBA Level 1 Common Equity Tier 1 Capital Ratio or CBA Level 2 Common Equity Tier 1 Capital Ratio, as the case may be, to above 5.125%.

- (c) In determining the number of PERLS X, or percentage of the Face Value of each PERLS X, which must be Exchanged in accordance with this clause, CBA will:
- (i) firstly, exchange, convert or write down the face value of any Relevant Securities whose terms require or permit, or are taken by law to require or permit, them to be exchanged, converted or written down before Exchange of PERLS X; and
  - (ii) secondly, if exchange, conversion or write down of those Relevant Securities is not sufficient, Exchange (in the case of PERLS X) or exchange, convert or write down (in the case of any other Relevant Securities) on a pro-rata basis or in a manner that is otherwise, in the opinion of CBA, fair and reasonable, PERLS X and any Relevant Securities whose terms require or permit, or are taken by law to require or permit, them to be Exchanged, converted or written down in that manner (subject to such adjustment as CBA may determine to take into account the effect on marketable parcels and whole numbers of Ordinary Shares and any PERLS X or other Relevant Securities remaining on issue),

but such determination will not impede the immediate Exchange of the relevant number of PERLS X or percentage of the Face Value of each PERLS X (as the case may be).

- (d) For the purposes of clauses 4.1(b) and 4.1(c), where the specified currency of the face value of Relevant Securities and/or PERLS X is not the same, CBA may treat them as if converted into a single currency of CBA's choice at such rate of exchange as CBA in good faith considers reasonable.
- (e) If a Capital Trigger Event occurs:
- (i) the relevant number of PERLS X, or percentage of the Face Value of each PERLS X, must be Exchanged immediately upon occurrence of the Capital Trigger Event in accordance with clauses 4.5 and 7 and the Exchange will be irrevocable;
  - (ii) CBA must give notice as soon as practicable that Exchange has occurred to ASX and the Holders;
  - (iii) the notice must specify the date on which the Capital Trigger Event occurred; and
  - (iv) the notice must specify the details of the Exchange process, including any details which were taken into account in relation to the effect on marketable parcels and whole numbers of Ordinary Shares, and the impact on any PERLS X remaining on issue.

Failure to undertake any of the steps in clauses 4.1(e) (ii) to (iv) does not prevent, invalidate or otherwise impede Exchange.

## 4.2 Non-Viability Trigger Event

- (a) A **Non-Viability Trigger Event** occurs when APRA notifies CBA in writing that it believes:
- (i) Exchange of all or some PERLS X, or exchange, conversion or write down of capital instruments of the CBA Group, is necessary because, without it, CBA would become non-viable; or
  - (ii) a public sector injection of capital, or equivalent support, is necessary because, without it, CBA would become non-viable.

APRA may specify an aggregate face value of capital instruments which must be Exchanged, converted or written down (as applicable).

- (b) If a Non-Viability Trigger Event occurs, CBA must Exchange such number of PERLS X (or, if it so determines, such percentage of the Face Value of each PERLS X) as is equal (taking into account any exchange, conversion or write down of Relevant Securities as referred to in paragraph (c) below) to the aggregate face value of capital instruments which APRA has notified CBA must be Exchanged, converted or written down (or, if APRA has not so notified CBA, such number or, if CBA so determines, such percentage of the Face Value of each PERLS X, as is necessary to satisfy APRA that CBA will no longer be non-viable). If a Non-Viability Trigger Event occurs under clause 4.2(a)(ii), CBA must Exchange all PERLS X.
- (c) In determining the number of PERLS X, or percentage of the Face Value of each PERLS X, which must be Exchanged in accordance with this clause, CBA will:
- (i) firstly, exchange, convert or write down the face value of any Relevant Securities whose terms require or permit, or are taken by law to require or permit, them to be exchanged, converted or written down before Exchange of PERLS X; and
  - (ii) secondly, if exchange, conversion or write down of those securities is not sufficient, Exchange (in the case of PERLS X) or exchange, convert or write down (in the case of any other Relevant Securities), on a pro-rata basis or in a manner that is otherwise, in the opinion of CBA, fair and reasonable, PERLS X and any Relevant Securities whose terms require or permit, or are taken by law to require or permit, them to be Exchanged, converted or written down in that manner (subject to such adjustments as CBA may determine to take into account the effect on marketable parcels and whole numbers of Ordinary Shares and any PERLS X or other Relevant Securities remaining on issue),

but such determination will not impede the immediate Exchange of the relevant number of PERLS X or percentage of the Face Value of each PERLS X (as the case may be).

- (d) For the purposes of clauses 4.2(b) and 4.2(c), where the specified currency of the face value of Relevant Securities and/or PERLS X is not the same, CBA may treat them as if converted into a single currency of CBA's choice at such rate of exchange as CBA in good faith considers reasonable.

- (e) If a Non-Viability Trigger Event occurs:
- (i) the relevant number of PERLS X, or percentage of the Face Value of each PERLS X, must be Exchanged immediately upon occurrence of the Non-Viability Trigger Event in accordance with clauses 4.5 and 7 and the Exchange will be irrevocable;
  - (ii) CBA must give notice as soon as practicable that Exchange has occurred to ASX and the Holders;
  - (iii) the notice must specify the date on which the Non-Viability Trigger Event occurred; and
  - (iv) the notice must specify the details of the Exchange process, including any details which were taken into account in relation to the effect on marketable parcels and whole numbers of Ordinary Shares, and the impact on any PERLS X remaining on issue.

Failure to undertake any of the steps in clauses 4.2(e)(ii) to (iv) does not prevent, invalidate or otherwise impede Exchange.

### **4.3 Mandatory Exchange Conditions do not apply to Capital Trigger Event or Non-Viability Trigger Event**

For the avoidance of doubt, the Mandatory Exchange Conditions do not apply to Exchange as a result of a Capital Trigger Event or Non-Viability Trigger Event occurring.

### **4.4 Priority of Early Exchange Obligations**

An Exchange required because of a Capital Trigger Event or a Non-Viability Trigger Event takes place notwithstanding anything in clause 3.

### **4.5 Automatic Exchange upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event**

If a Capital Trigger Event or Non-Viability Trigger Event has occurred and all or some PERLS X (or percentage of the Face Value of each PERLS X) are required to be Exchanged in accordance with clauses 4.1 or 4.2, then:

- (a) Exchange of the relevant PERLS X or percentage of the Face Value of each PERLS X will occur in accordance with clause 7 immediately upon the date of occurrence of the Capital Trigger Event or Non-Viability Trigger Event; and
- (b) the entry of the corresponding PERLS X in each relevant Holder's holding in the Register will constitute an entitlement of that Holder (or, if applicable, of the Trustee) to the relevant number of Ordinary Shares (and, if applicable, also to any remaining balance of PERLS X or remaining percentage of the Face Value of each PERLS X), and CBA will recognise the Holder (or, if applicable, the Trustee) as having been issued the relevant Ordinary Shares for all purposes,

in each case without the need for any further act or step by CBA, the Holder or any other person (and CBA will, as soon as possible thereafter and without delay on the part of CBA, take any appropriate procedural steps to record such Exchange, including updating the Register and the Ordinary Share register and seek quotation of Ordinary Shares issued on Exchange).

For the avoidance of doubt:

- (c) nothing in this clause allows a payment to be made to a Holder upon Exchange; and
- (d) Exchange under this clause takes priority over a notice for Redemption issued under clauses 5.1, 5.2, 5.3 or 5.4.

### **4.6 No further rights if Exchange cannot occur**

If, for any reason, Exchange of any PERLS X (or a percentage of the Face Value of any PERLS X) required to be Exchanged under clauses 4.1 or 4.2 fails to take effect under clauses 4.5(a) and 4.5(b) and CBA has not otherwise issued the Ordinary Shares required to be issued in respect of such Exchange within five Business Days after the date of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event, then the relevant Holders' rights (including to payment of the Face Value and Distributions, and the right to receive Ordinary Shares) in relation to such PERLS X or percentage of the Face Value of PERLS X are immediately and irrevocably terminated and such termination will be taken to have occurred immediately on the date of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event. The Issuer must give notice as soon as practicable that such termination has occurred to the Holders and such notice must be announced on ASX, and the notice must specify the date on which the Capital Trigger Event or Non-Viability Trigger Event occurred.

### **4.7 Change of Control Event**

(a) A **Change of Control Event** occurs when:

- (i) a takeover bid is made for Ordinary Shares (A) acceptance of which is recommended by the Board and which is or has become unconditional or (B) which is or has become unconditional and the voting power of the offeror in CBA is or has become greater than 50%; or
- (ii) in respect of a scheme of arrangement under Part 5.1 of the Corporations Act which would result (if implemented) in a person having voting power in more than 50% of CBA, the earlier of (A) a court approving the scheme, and (B) the Board determining that such event should be treated as a Change of Control Event for the purposes of this clause,

provided that clause 4.7(a)(ii) does not include a scheme of arrangement which would result in a NOHC Event.

(b) If a Change of Control Event occurs, then:

- (i) CBA must Exchange all (but not some) PERLS X;
- (ii) CBA must give notice as soon as practicable and in any event within 10 Business Days after becoming aware of that event occurring to ASX and the Holders;
- (iii) the notice must specify a date on which it is proposed Exchange will occur (**proposed Exchange Date**) being:
  - (1) in the case of a Change of Control Event under clause 4.7(a)(i), no later than the Business Day prior to the then announced closing date of the relevant takeover bid;

- (2) in the case of a Change of Control Event under clause 4.7(a)(ii)(A), a date no later than the record date for participation in the relevant scheme of arrangement; or
- (3) in the case of a Change of Control Event under clause 4.7(a)(ii)(B), a date no later than 25 Business Days following the date the notice is given, or the record date for participation in the relevant scheme of arrangement, whichever is earlier; and

(iv) the notice must specify the details of the Exchange process including any details to take into account the effect on marketable parcels and whole numbers of Ordinary Shares; and

(v) on the proposed Exchange Date, all PERLS X will Exchange in accordance with clause 7.

(c) The Second Mandatory Exchange Condition and Third Mandatory Exchange Condition apply if a Change of Control Event occurs as though the proposed Exchange Date were a Mandatory Exchange Date for the purposes of clause 4 (except that in the case of a Change of Control Event, the Second Mandatory Exchange Condition will apply as if it referred to 20.20% of the Issue Date VWAP).

(d) If either the Second Mandatory Exchange Condition or Third Mandatory Exchange Condition is not satisfied on the proposed Exchange Date:

(i) PERLS X must Exchange on the next Distribution Payment Date on which the Second Mandatory Exchange Condition and Third Mandatory Exchange Condition are satisfied; and

(ii) CBA will notify Holders as soon as practicable after the proposed Exchange Date that Exchange did not occur.

## 5 Early Redemption

### 5.1 Early Redemption at the option of CBA on the Call Date

CBA may at its option Redeem all or some PERLS X on the Call Date for their Face Value.

However, CBA may only Redeem under this clause if CBA has given notice of its election to do so at least 20 Business Days (and no more than 60 Business Days) before the Call Date to ASX and the Holders.

If only some (but not all) PERLS X are to be Redeemed under this clause, those PERLS X to be Redeemed will be specified in the notice and selected:

- (a) in a manner that is, in the opinion of CBA, fair and reasonable; and
- (b) in compliance with any applicable law, directive or requirement of ASX.

### 5.2 Early Redemption for inability to frank Distributions

If there is a material risk that as a result of any change in, or amendment to, the laws of Australia, or their application or official or judicial interpretation or administration (including any announcement of a

prospective change or amendment which has been or will be introduced), which change or amendment was not expected by CBA as at the Issue Date and has or is expected to become effective on or after the Issue Date, any Distribution would not be a frankable distribution within the meaning of Division 202 of the Tax Act, CBA may Redeem all (but not some) PERLS X for their Face Value.

However, CBA may only Redeem under this clause if:

- (a) CBA has given notice of its election to do so at least 20 Business Days (and no more than 60 Business Days) before the proposed Redemption Date to ASX and the Holders;
- (b) the proposed Redemption Date is a Distribution Payment Date; and
- (c) the notice of Redemption is not given earlier than 60 Business Days before the Distribution Payment Date occurring immediately before the earliest date on which a Distribution would not be a frankable Distribution.

### 5.3 Early Redemption for other taxation reasons

If CBA receives an opinion from reputable legal counsel or other tax adviser in Australia, experienced in such matters, to the effect that there is a material risk that as a result of a change in, or amendment to, the laws of Australia, or their application or official or judicial interpretation or administration (including any announcement of a prospective change or amendment which has been or will be introduced), which change or amendment was not expected by CBA at the Issue Date and becomes or is expected to become effective on or after the Issue Date:

- (a) CBA would be required to pay an increased amount under clause 9.6; or
- (b) CBA would be exposed to a more than de minimis adverse tax consequence in relation to PERLS X other than a tax consequence that CBA expected as at the Issue Date,

CBA may Redeem all (but not some) PERLS X for their Face Value.

However, CBA may only Redeem under this clause if:

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

### 5.4 Early redemption for regulatory reasons

If, at any time after the Issue Date, CBA determines that as a result of a change in, or amendment to, the laws of Australia or APRA's prudential standards or guidelines, or in their application or official or judicial interpretation or administration (including any announcement of a prospective change or amendment which has been or will be introduced), all, some or a proportion of all or some PERLS X are not or will not be treated as Tier 1 Capital of the CBA Group under APRA's prudential standards (as amended from time to time), other than as a result of a change of treatment expected by CBA as at the Issue Date, CBA may Redeem all (but not some) PERLS X for their Face Value.

However, CBA may only Redeem under this clause if:

- (a) CBA has given notice of its election to do so at least 20 Business Days (and no more than 60 Business Days) before the proposed Redemption Date to ASX and the Holders;
- (b) the proposed Redemption Date is a Distribution Payment Date; and
- (c) the notice of Redemption is not given earlier than 60 Business Days before the Distribution Payment Date occurring immediately before the earliest date on which all, some or a proportion of all or some PERLS X will cease to be treated as Tier 1 Capital.

### 5.5 APRA approval to Redeem

CBA may only Redeem under this clause 5 if:

- (a) either:
  - (i) before or concurrently with Redemption, CBA replaces PERLS X with a capital instrument which is of the same or better quality (for the purposes of APRA's prudential standards as they are applied to the CBA Group at the relevant time) than PERLS X and the replacement of PERLS X is done under conditions that are sustainable for the income capacity of CBA; or
  - (ii) CBA obtains confirmation from APRA that APRA is satisfied, having regard to the capital position of the CBA Level 1 Group and CBA Level 2 Group, that CBA does not have to replace PERLS X; and
- (b) APRA has given its prior written approval to the Redemption. Approval is at the discretion of APRA and may or may not be given.

### 5.6 Final Distribution

For the avoidance of doubt, Redemption may occur even if CBA, in its absolute discretion, does not make the Distribution for the final Distribution Period.

### 5.7 No Redemption at the option of the Holders

Holders do not have a right to request Redemption of their PERLS X at any time.

### 5.8 Effect of notice of Redemption

Any notice of Redemption given under this clause 5 is irrevocable and CBA must (subject to clauses 1.5, 4.5(d) and 9.3) Redeem PERLS X on the Redemption Date specified in that notice.

## 6 Resale on the Call Date

- (a) CBA may elect that Resale occur in relation to all or some PERLS X by giving a Resale Notice at least 20 Business Days (and no more than 60 Business Days) before the Call Date to ASX and the Holders.

If only some (but not all) PERLS X are to be Resold under this clause, the number of PERLS X to be Resold will be specified in the notice and selected:

- (i) in a manner that is, in the opinion of CBA, fair and reasonable; and
  - (ii) in compliance with any applicable law, directive or requirement of ASX.
- (b) If CBA issues a Resale Notice:
- (i) each Holder is taken irrevocably to offer to sell the relevant number of their PERLS X to the Purchaser on the Call Date for a cash amount per PERLS X equal to the Face Value (and to have appointed CBA as its agent and attorney to do and execute all things and documents which CBA considers may be necessary or desirable in connection with that offer and any resulting sale);
  - (ii) subject to payment by the Purchaser of the Face Value to Holders, all right, title and interest in the relevant number of PERLS X will be transferred from the Holders to the Purchaser on the Call Date; and
  - (iii) if the Purchaser does not pay the Face Value to the relevant Holders on the Call Date, the relevant number of PERLS X will not be transferred to the Purchaser and a Holder has no claim on CBA as a result of that non-payment.
- (c) Clause 9 will apply to payments by the Purchaser as if the Purchaser was CBA. If any payment to a particular Holder is not made or treated as made on the Call Date because of any error by or on behalf of the Purchaser, the relevant PERLS X of that Holder will not be transferred until payment is made but the transfer of all other relevant PERLS will not be affected by the failure.

## 7 General provisions applicable to Exchange

### 7.1 Exchange

On the Exchange Date, subject to clauses 4.6 and 7.10, the following will apply:

- (a) CBA will allot and issue the Exchange Number of Ordinary Shares for each PERLS X held by the Holder. The **Exchange Number** is calculated according to the following formula, and subject always to the Exchange Number being no greater than the Maximum Exchange Number:

$$\text{Exchange Number for each PERLS X} = \frac{\text{Face Value}}{0.99 \times \text{VWAP}}$$

where:

**VWAP** (expressed in dollars and cents) means the VWAP during the VWAP Period.

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

$$\text{Maximum Exchange Number} = \frac{\text{Face Value}}{\text{Relevant Percentage} \times \text{Issue Date VWAP}}$$

where:

**Relevant Percentage** means:

- (i) if Exchange is occurring on a Mandatory Exchange Date, 0.50; and
  - (ii) if Exchange is occurring at any other time, 0.20.
- (b) Each Holder's rights (including to payment of Distributions, other than the Distribution, if any, payable on an Exchange Date where the Exchange is not as a result of a Capital Trigger Event or a Non-Viability Trigger Event) in relation to each PERLS X that is being Exchanged will be immediately and irrevocably terminated for an amount equal to the Face Value and CBA will apply the Face Value of each PERLS X by way of payment for the subscription for the Ordinary Shares to be allotted and issued under clause 7.1(a). Each Holder is taken to have irrevocably directed that any amount payable under this clause 7.1 is to be applied as provided for in this clause and no Holder has any right to payment in any other way.
- (c) If the total number of additional Ordinary Shares to be allotted and issued in respect of a Holder's aggregate holding of PERLS X includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded.

## 7.2 Adjustments to VWAP generally

For the purposes of calculating VWAP under clause 7.1:

- (a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as *cum* dividend or *cum* any other distribution or entitlement and PERLS X will be Exchanged for Ordinary Shares after that date and those Ordinary Shares will no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted *cum* dividend or *cum* any other distribution or entitlement will be reduced by an amount (**Cum Value**) equal to:
- (i) in the case of a dividend or other distribution, the amount of that dividend or other distribution;
  - (ii) in the case of any other entitlement that is not a dividend or other distribution under clause 7.2(a)(i) which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded (excluding trades of the kind that would be excluded in determining VWAP under the definition of that term); or

(iii) in the case of any other entitlement which is not traded on ASX during the VWAP Period, the value of the entitlement as reasonably determined by the Board; and

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

## 7.3 Adjustments to VWAP for capital reconstruction

- (a) Where during the relevant VWAP Period there is a change to the number of Ordinary Shares on issue because the Ordinary Shares are reconstructed, consolidated, divided or reclassified (not involving any payment or other compensation to or by the holders of Ordinary Shares) (**Reclassification**) into a lesser or greater number, the daily VWAP for each day in the VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reclassification basis will be adjusted by multiplying the applicable VWAP by the following formula:

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

Where:

**A** means the aggregate number of Ordinary Shares immediately before the Reclassification; and

**B** means the aggregate number of Ordinary Shares immediately after the Reclassification.

- (b) Any adjustment made by CBA in accordance with clause 7.3(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly.
- (c) For the avoidance of doubt, nothing in this clause allows a cash payment or other distribution to be made to or by a Holder as part of a Reclassification or as a result of a Reclassification.

## 7.4 Adjustments to Issue Date VWAP generally

For the purposes of determining the Issue Date VWAP under clause 7.1, adjustments will be made in accordance with clauses 7.2 and 7.3 during the VWAP Period for the Issue Date VWAP. On and from the Issue Date, adjustments to the Issue Date VWAP:

- (a) may be made by CBA in accordance with clauses 7.5 to 7.7 (inclusive);
- (b) if so made, will correspondingly affect the application of the Mandatory Exchange Conditions and cause an adjustment to the Maximum Exchange Number; and
- (c) if so made, will be effective and binding on Holders under these Terms and these Terms will be construed accordingly.

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

- (a) Subject to clauses 7.5(b) and 7.5(c), if CBA makes a pro-rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

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

Where:

- V** means the Issue Date VWAP applying immediately after the application of this formula;
- V<sub>o</sub>** means the Issue Date VWAP applying immediately prior to the application of this formula;
- RD** means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the bonus issue; and
- RN** means the number of Ordinary Shares issued pursuant to the bonus issue.
- (b) Clause 7.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- (c) For the purposes of this clause 7.5, an issue will be regarded as a bonus issue notwithstanding that CBA does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia (or to whom an offer is otherwise subject to foreign securities laws), provided that in so doing CBA is not in contravention of ASX Listing Rules.

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

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

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

where:

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

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

Despite the provisions of clauses 7.5 and 7.6, no adjustment will be made to the Issue Date VWAP where any such adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect.

### 7.8 Announcement of adjustments to Issue Date VWAP

CBA will notify any adjustment to the Issue Date VWAP under this clause 7 to ASX and the Holders within 10 Business Days of CBA determining the adjustment (or such shorter period as is required by ASX Listing Rules) and the adjustment will be final and binding.

### 7.9 Status and listing of Ordinary Shares

- (a) Ordinary Shares issued or arising from Exchange will rank equally with all other fully paid Ordinary Shares provided that the rights attaching to the Ordinary Shares issued or arising from Exchange do not take effect until 5.00pm (Sydney time) on the Exchange Date (or such other time required by APRA).
- (b) CBA will use all reasonable endeavours to list the Ordinary Shares issued on Exchange of PERLS X on ASX.
- (c) Holders acknowledge that any ASX trades in PERLS X that have not settled on the Exchange Date will continue to settle in accordance with the normal ASX settlement process, although the seller will be treated as having delivered and the buyer will be treated as having acquired, the number of Ordinary Shares into which PERLS X have been Exchanged.

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

If PERLS X (or percentage of the Face Value of each PERLS X) of a Holder are required to be Exchanged and:

- (a) the Holder has notified CBA that it does not wish to receive Ordinary Shares as a result of Exchange, which notice may be given at any time on or after the Issue Date and prior to the Exchange Date;
- (b) the Holder is an Ineligible Holder; or
- (c) CBA has not received (for any reason whether or not due to the fault of that Holder) any information required by it in accordance with the Terms so as to impede CBA issuing the Ordinary Shares to a Holder on the Exchange Date,

then, on the Exchange Date, the Holder's rights (including to payment of Distributions) in relation to each such PERLS X being Exchanged are immediately and irrevocably terminated and CBA will issue the Exchange Number of Ordinary Shares to the Trustee for no additional consideration to hold on trust for sale for the benefit of the relevant Holder (unless, because the Holder is an Ineligible Holder, the Trustee is deemed to be an Ineligible Holder, in which case such issue shall occur as soon as practicable after the Trustee ceases to be an Ineligible Holder). At the first opportunity to sell the Ordinary Shares, the Trustee will arrange for their sale and pay the proceeds less selling costs to the relevant Holder subject to and in accordance with the provisions of the Trust Deed.

If Exchange is occurring because of the occurrence of a Capital Trigger Event or Non-Viability Trigger Event and the Exchange fails to take effect and CBA has not otherwise issued Ordinary Shares to the Trustee within

five Business Days after the date of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event, then Holders' rights will be immediately and irrevocably terminated under clause 4.6.

### 7.11 Final Distribution

For the avoidance of doubt, Exchange may occur even if CBA, in its absolute discretion, does not make the Distribution for the final Distribution Period.

### 7.12 No Exchange after winding up commences

If before the Exchange Date an order is made by a court, or an effective resolution is passed, for the winding up of CBA in Australia, then Exchange will not occur and clause 1.5 will apply, except where Exchange is required for a Capital Trigger Event or Non-Viability Trigger Event (in which case such Exchange shall occur (subject to clause 4.6) in accordance with clauses 4.1 or 4.2 (as applicable) and clause 4.5).

### 7.13 Exchange of a percentage of Face Value

If under these Terms it is necessary to Exchange a percentage of the Face Value, this clause 7 will apply to the Exchange as if references to the Face Value were references to the relevant percentage of the Face Value to be Exchanged.

## 8 Title and transfer of PERLS X

### 8.1 Effect of entries in Register

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

- (a) conclusive evidence of that person's:
    - (i) absolute ownership of that PERLS X;
    - (ii) entitlement to the other benefits given to Holders under these Terms and the Trust Deed in respect of PERLS X; and
  - (b) an undertaking by CBA to pay Distributions and any other amount in accordance with these Terms,
- subject to correction of the Register for fraud or error.

### 8.2 Non-recognition of interests

Except as required by law, CBA, the Trustee and the Registry must treat the person whose name is entered in the Register as a Holder as the absolute owner of that PERLS X. This clause applies despite any notice of ownership, trust or interest in that PERLS X. No recognition of any trust, encumbrance or interest shall be entered on the Register.

### 8.3 Joint holders

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

### 8.4 Transfers

- (a) A Holder may transfer PERLS X:
  - (i) while PERLS X are registered with CHESS, in accordance with the rules and regulations of CHESS; or
  - (ii) at any other time:
    - (A) by a proper transfer under any other applicable computerised or electronic system recognised by the Corporations Act; or
    - (B) by any proper or sufficient instrument of transfer of marketable securities under applicable law, provided such instrument is delivered to the Registry with any evidence the Registry reasonably requires to prove title to or the right to transfer PERLS X.
- (b) Title to PERLS X passes when details of the transfer are entered in the Register.
- (c) PERLS X may be transferred in whole but not in part.
- (d) CBA must comply with all Applicable Regulations and any other relevant obligations imposed on it in relation to the transfer of PERLS X.
- (e) CBA must not charge any fee on the transfer of PERLS X.
- (f) The Holder is responsible for any stamp duty or other similar taxes which are payable in any jurisdiction in connection with a transfer, assignment or other dealing with PERLS X.
- (g) Upon registration and entry of the transferee in the Register, the transferor ceases to be entitled to future benefits under these Terms and the Trust Deed in respect of the transferred PERLS X.
- (h) Subject to Applicable Regulations, CBA may determine that transfers of some or all PERLS X will not be registered during any period reasonably specified by it prior to the Exchange Date, Redemption Date or Resale Date of such PERLS X.

### 8.5 Refusal to register

CBA may only refuse to register a transfer of PERLS X if permitted by, or if such registration would contravene or is forbidden by, Applicable Regulations or the Terms.

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 the Registry.

### 8.6 Transmission

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

## 9 Payments

### 9.1 Payments to registered Holder

- (a) Payment of Distributions will be made to the person registered at 7.00pm on the Record Date as the Holder.
- (b) Payment of any other amount in accordance with these Terms will be made to the person registered as the Holder on the relevant date for payment.
- (c) A payment to any one of joint Holders will discharge CBA's liability in respect of the payment.

### 9.2 Payments subject to law

All payments are subject to applicable law.

### 9.3 Payments on Business Days

If any payment:

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

No additional amount is payable in respect of any delay in payment. Nothing in this clause 9.3 applies to any payment referred to in clause 7.1(b).

### 9.4 Payments to accounts

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

### 9.5 Unsuccessful attempts to pay

- (a) If the Holder has not notified the Registry of a bank account for the purposes of payment under clause 9.4 or the transfer of any amount does not complete for any reason (other than an error made by or on behalf of CBA), CBA will be treated as having paid the amount on the date on which it would otherwise have made the payment.
- (b) CBA will send a notice to the registered address of the Holder advising of the unsuccessful payment and the amount of the unsuccessful payment will be held on deposit in a non-interest bearing bank account maintained by CBA or the Registry until the Holder nominates an Australian dollar bank account maintained in Australia for crediting with the payment (or nominates a new bank account as the case may be) or the claim becomes void under clause 12.1.
- (c) No additional amount is payable in respect of any delay in payment.
- (d) For the avoidance of doubt, nothing in this clause 9.5 obliges CBA to make a payment it has not otherwise determined to make under clause 2.

## 9.6 Withholdings and Deductions

- (a) All payments in respect of PERLS X must be made without any withholding or deduction in respect of taxes, unless the withholding or deduction is required by law or permitted by this clause 9.6. 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) CBA, in its absolute discretion, may withhold or deduct payments to a Holder (including, if applicable, any other person who beneficially derives Distributions under PERLS X) where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Holder or a beneficial owner of PERLS X may be subject to FATCA, and may deal with such payment and the Holder's PERLS X in accordance with FATCA. If any withholding or deduction arises under or in connection with FATCA, CBA will not be required to pay any further amounts on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder or a beneficial owner of PERLS X for or in respect of any such withholding or deduction.
- (c) Each Holder (including, if applicable, any other person who beneficially derives Distributions under PERLS X) will, within 10 Business Days of request by CBA, supply to CBA such forms, documentation and other information relating to its status under FATCA as CBA reasonably requests for the purposes of the CBA Group's compliance with FATCA.

## 10 Tax File Number withholdings

- (a) CBA will withhold an amount from payments of Distributions on PERLS X at the highest marginal tax rate plus the highest Medicare levy if a Holder has not supplied an appropriate tax file number, Australian business number or exemption details.
- (b) If a Holder supplies exemption details and CBA subsequently determines that the relevant exemption was not available, CBA may recover the amount that should have been deducted from the relevant Holder and may deduct that amount from any subsequent payment due to that Holder in respect of PERLS X.

## 11 Substitution of CBA

### 11.1 Substitution

CBA may, in connection with a NOHC Event, without the consent of Holders and provided that the Substitution Conditions are satisfied, by giving notice to ASX and the Holders:

- (a) substitute for itself a NOHC as the debtor in respect of PERLS X and as the issuer of Ordinary Shares on Exchange (**Full Successor**); or
- (b) substitute for itself a NOHC as the issuer of Ordinary Shares on Exchange (**Partial Successor**),

and a reference to the **Successor** shall be a reference to the Full Successor or the Partial Successor, as applicable. The notice shall specify the date on which the substitution is to take effect (**Date of Substitution**).

## 11.2 Substitution Conditions

The **Substitution Conditions** are:

- (a) in the case of the Full Successor:
  - (i) the Full Successor or another entity (which is a parent entity) subscribes for Ordinary Shares or other capital instruments acceptable to APRA in such amount as may be necessary, or takes other steps acceptable to APRA, to ensure that the capital position of the CBA Level 1 Group and CBA Level 2 Group will not be adversely affected;
  - (ii) the Full Successor will expressly assume CBA's obligations under these Terms and the Trust Deed by entering into a deed poll for the benefit of Holders (**Successor Deed Poll**) under which it agrees (among other things):
    - (A) to comply with the restrictions in clause 2.7 of these Terms (with all necessary modifications); and
    - (B) to deliver fully paid ordinary shares in its capital under all circumstances when CBA would otherwise have been required to deliver Ordinary Shares, subject to the same terms and conditions as set out in these Terms (with all necessary modifications);
- (b) in the case of the Partial Successor:
  - (i) the Partial Successor agrees with effect on and from the Date of Substitution, by entering into a Successor Deed Poll, to deliver fully paid ordinary shares in its capital under all circumstances when CBA would otherwise have been required to deliver Ordinary Shares, subject to the same terms and conditions as set out in these Terms (with all necessary modifications); and
  - (ii) the Partial Successor agrees that in all circumstances where the Partial Successor delivers fully paid ordinary shares in its capital under the Successor Deed Poll in clause 11.2(b)(i), the Partial Successor or another entity (which is a parent entity) will subscribe for Ordinary Shares in such amount as may be necessary, or take other steps acceptable to APRA, to ensure that the capital position of the CBA Level 1 Group and CBA Level 2 Group is equivalent to the position if the Successor Deed Poll had not been entered into and CBA was required to issue the Ordinary Shares; and
- (c) in the case of either the Full Successor or the Partial Successor (as applicable):
  - (i) the Successor's ordinary shares are or are to be quoted on ASX, and the Successor agrees to use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of ordinary shares issued under these

Terms on the securities exchanges on which the Successor's ordinary shares are quoted at the time of delivery;

- (ii) the Successor and CBA have obtained APRA approval and all other necessary authorisations, regulatory and governmental approvals and consents for such substitution and for the performance by the Successor of its obligations under PERLS X and the documents effecting substitution;
- (iii) if the Successor does not have a place of business in New South Wales, the Successor has appointed a process agent in New South Wales to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with PERLS X;
- (iv) the Successor has, in the reasonable opinion of CBA, the financial capacity to satisfy its obligations under the Successor Deed Poll;
- (v) CBA has used all reasonable endeavours to give an irrevocable notice to the Holders as soon as practicable before a NOHC Event occurs specifying the amendments to PERLS X which will be made under these Terms in connection with the substitution of a NOHC as the issuer of ordinary shares on Exchange; and
- (vi) CBA may, by an instrument in writing and without the authority, assent or approval of Holders, amend these Terms if such amendment is necessary or expedient for the purposes of complying with the provisions of Chapter 2L of the Corporations Act.

## 11.3 Effect of Substitution of Full Successor

If the relevant requirements set out in clauses 11.1 and 11.2 relating to a substitution under clause 11.1(a) have been completed, on and from the Date of Substitution:

- (a) the Full Successor will assume all of the obligations of, succeed to, and be substituted for, and may exercise every right and power of, CBA under these Terms and the Trust Deed (as may be amended from time to time) with the same effect as if the Successor had been named as CBA in these Terms and the Trust Deed;
- (b) CBA (or any corporation which has previously assumed the obligations of CBA) will be released from its liability under the Terms and the Trust Deed;
- (c) if CBA gives a notice to Holders under clause 11.2(c)(v), the amended terms will have effect on and from the date specified in the notice; and
- (d) references to CBA in these Terms and the Trust Deed will be taken to be references to the Full Successor.

### 11.4 Effect of Substitution of Partial Successor

If the relevant requirements set out in clauses 11.1 and 11.2 relating to a substitution under clause 11.1(b) have been completed, on and from the Date of Substitution:

- (a) CBA (or any corporation which has previously assumed the obligations of CBA) will be released from any obligation it would otherwise have under these Terms to issue Ordinary Shares to Holders upon Exchange; and
- (b) if CBA gives a notice to Holders under clause 11.2(c)(v), the amended terms will have effect on and from the date specified in the notice.

## 12 General

### 12.1 Time limit for claims

A claim against CBA for a payment under PERLS X is void unless made within five years from the date on which payment became due.

### 12.2 Voting

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

### 12.3 Amendments without consent

At any time, but subject to compliance with the Corporations Act and all other applicable laws, CBA may by deed poll, without the consent of the Holders, amend these Terms or the Trust Deed, from the date specified by CBA, if CBA is of the opinion that such alteration is:

- (a) of a formal, technical or minor nature;
- (b) made to cure any ambiguity, correct any manifest error or correct or supplement any defective provision of the Terms or amend any provision of the Trust Deed;
- (c) necessary or expedient for the purpose of:
  - (i) enabling PERLS X to be listed for quotation, or to retain quotation, on any securities exchange or to be offered for subscription or for sale under the laws for the time being in force in any place;
  - (ii) complying with the provisions of any statute, the requirements of any statutory authority, ASX Listing Rules or the listing or quotation requirements of any securities exchange on which CBA may propose to seek a listing or quotation of PERLS X; or
  - (iii) facilitating a substitution in accordance with clause 11.1 (including satisfying any requirement of APRA in connection with such a substitution);
- (d) made to amend any date or time period stated, required or permitted in connection with any Exchange or Redemption (including, without limitation, when the proceeds of Redemption are to be reinvested in a new security to be issued by CBA or a Related Body Corporate); or

- (e) not materially prejudicial to the interests of Holders as a whole.

The Terms of all PERLS X will be amended from the date specified by CBA.

### 12.4 Amendments with consent

Without limiting clause 12.3, CBA may by deed poll amend these Terms or the Trust Deed if such alteration is approved by a Special Resolution.

In this case, the Terms of all PERLS X will be amended from the date specified in the Special Resolution or otherwise notified to the Holders (provided such date is permitted by the terms of the Special Resolution).

### 12.5 Meaning of amend

In clauses 12.3 and 12.4, **amend** includes modify, cancel, alter or add to and **amendment** has a corresponding meaning.

### 12.6 APRA approval of amendments

Prior to any amendment under clauses 12.3 and 12.4 being effective, where required CBA must obtain APRA's prior written approval (APRA approval is required where the proposed amendment may affect the capital treatment of PERLS X under APRA's prudential standards at the relevant time) and any consent or approval required under any applicable law, regulation or ASX Listing Rule.

### 12.7 Notices

#### (a) To Holders

Subject to clauses 4.1(e) and 4.2(e), unless otherwise specified, all notices and other communications to Holders must be in writing and either (i) sent by prepaid post (airmail if appropriate) to or left at the address of the Holders (as shown in the Register at the close of business on the day which is three Business Days before the date of the notice or communication), (ii) (if available) issued to Holders through CHESS in accordance with any applicable rules and regulations of CHESS, or (iii) announced to ASX. An accidental or inadvertent failure to give notice to a particular Holder will not invalidate a notice otherwise properly given to Holders.

#### (b) To CBA, Trustee and Registry

Subject to clauses 4.1(e) and 4.2(e), all notices and other communications to all or any of CBA, the Trustee and the Registry must be in writing and sent by prepaid post (airmail if appropriate) to or left at the address of CBA, the Trustee and the Registry, as applicable.

#### (c) When effective

Subject to clauses 4.1(e) and 4.2(e), notices and other communications take effect from the time they are taken to be received unless a later time is specified in them.

**(d) Receipt**

- (i) If sent by post, notices or other communications are taken to be received three Business Days after posting (or five Business Days after posting if sent to or from a place outside Australia).
- (ii) If left at the address, notices or other communications are taken to be received when given unless received after 5.00 pm in the place of receipt or on a non-Business Day, in which case they are taken to be received at 9.00 am on the next Business Day.
- (iii) Notices given to Holders by being announced to ASX are taken to be received on the date of announcement.

**12.8 Ability to trade**

CBA or any member of the CBA Group may, to the extent permitted by applicable laws and regulations and with APRA's prior written approval (where required), at any time buy or sell PERLS X in the open market, by tender to all or some of the Holders, by private agreement or in any other manner, at any price.

**12.9 Governing law**

These Terms are governed by and must be governed in accordance with the law in force in New South Wales, Australia.

**12.10 Jurisdiction**

CBA submits, and each Holder is taken to have irrevocably and unconditionally submitted, to the non-exclusive jurisdiction of the courts of New South Wales and the courts competent to determine appeals from those courts, with respect to any proceedings which may be brought at any time relating to these Terms.

**12.11 Trust Deed**

CBA's obligations in respect of PERLS X are constituted by and subject to the Trust Deed. Each Holder is taken to have notice of, and be bound by, the provisions of the Trust Deed.

**12.12 Waiver of immunity**

CBA irrevocably and unconditionally waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 12.10.

**13 Interpretation and definitions****13.1 Interpretation**

In these Terms, except where the contrary intention appears:

- (a) a reference to:
  - (i) an agreement or instrument includes any variation, supplement, replacement or novation of that agreement or instrument;
  - (ii) a person includes a reference to the person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;
  - (iii) any thing is a reference to the whole and each part of it;
  - (iv) one gender includes every other gender;
  - (v) a document includes all schedules or annexes to it;
  - (vi) a clause or paragraph is to a clause or paragraph of these Terms;
  - (vii) "Australian dollars", "A\$" or "Australian cent" is a reference to the lawful currency of Australia; and
  - (viii) a statute, ordinance, code, rule, directive or law (however described) includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (b) the singular includes the plural and vice versa;
- (c) the word "person" includes a firm, body corporate, an unincorporated association, or governmental or local authority or agency or other entity;
- (d) the word "law" includes common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) any reference to time is to Sydney time;
- (f) headings are inserted for convenience and do not affect the interpretation of these Terms;
- (g) another grammatical form of a defined word or expression has a corresponding meaning;
- (h) if an event under these Terms must occur on a stipulated day which is not a Business Day, then, for an event other than a Capital Trigger Event or Non-Viability Trigger Event, the stipulated day will be taken to be the next Business Day, unless a contrary intention is expressed;
- (i) the meaning of general words is not limited by specific examples introduced by "including", "for example" or similar expressions;
- (j) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;

- (k) any provisions which refer to APRA requirements or any other prudential regulatory requirements will apply to CBA only if CBA is an entity, or the holding company of an entity, or is a direct or indirect subsidiary of an entity (including a NOHC) subject to regulation and supervision by APRA at the relevant time;
- (l) any provisions which require APRA's consent or approval (written or otherwise) will apply only if APRA requires that such consent or approval be given at the relevant time; and
- (m) any provisions in these Terms requiring prior APRA approval for a particular course of action to be taken by CBA do not imply that APRA has given its consent or approval to the particular action as of the Issue Date.

### 13.2 Definitions

In these Terms, except where the contrary intention appears:

**ADI** means an Authorised Deposit-taking Institution under the Banking Act;

**Applicable Regulation** means ASX Listing Rules, ASX Settlement Operating Rules, the rules and regulations of CHESS, the Corporations Act and any rules or regulations made under or pursuant to them;

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

**ASX** means ASX Limited ABN 98 008 624 691 or the securities market operated by it, as the context requires;

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

**ASX Settlement Operating Rules** means the settlement operating rules of ASX from time to time with any applicable modification or waiver granted by ASX;

**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;

**Bookbuild** means the process conducted before the Offer opens where brokers and investors bid for PERLS X and, on the basis of those bids, CBA sets the final Margin and announces it on ASX;

**Business Day** means a day which is (i) a business day within the meaning of ASX Listing Rules, and (ii) for the purposes of calculation or payment of a Distribution, a date on which banks are open for general business in Sydney;

**Call Date** means 15 April 2025;

**Capital Trigger Event** has the meaning given in clause 4.1;

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

**CBA Group** means CBA (or any NOHC that is the holding company of CBA) and its Subsidiaries;

**CBA Level 1 Common Equity Tier 1 Capital Ratio** means, in respect of the CBA Level 1 Group, the ratio of the Common Equity Tier 1 Capital of the CBA Level 1 Group to the risk weighted assets of the CBA Level 1 Group, calculated in accordance with APRA's prudential standards (as amended from time to time);

**CBA Level 1 Group** means:

- (a) CBA; or
- (b) the "extended licensed entity" which is comprised of CBA and each Subsidiary of CBA as specified in any approval granted by APRA in accordance with APRA's prudential standards (as amended from time to time);

**CBA Level 2 Common Equity Tier 1 Capital Ratio** means, in respect of the CBA Level 2 Group, the ratio of the Common Equity Tier 1 Capital of the CBA Level 2 Group to the risk weighted assets of the CBA Level 2 Group, calculated in accordance with APRA's prudential standards (as amended from time to time);

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

**Change of Control Event** has the meaning given in clause 4.7;

**CHESS** means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited ABN 49 008 504 532;

**Common Equity Tier 1 Capital** has, in respect of each of the CBA Level 1 Group and the CBA Level 2 Group, the meaning determined for that term or its equivalent by APRA;

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

**Delisted** means, in relation to an Exchange Date, that Ordinary Shares are not listed or admitted to trading on a securities exchange on that date;

**Distribution** means interest payable on PERLS X under these Terms;

**Distribution Payment Date** means, in respect of each PERLS X, 15 March, 15 June, 15 September and 15 December each year until that PERLS X has been Exchanged or Redeemed, and also the Exchange Date or Redemption Date. If any of these Distribution Payment Dates is not a Business Day, then the payment will be made in accordance with clause 9.3. The first Distribution Payment Date is 15 June 2018;

**Distribution Period** means each period commencing on (and including) a Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date, whether or not a Distribution is, or is able to be, paid on that date. However:

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

**Distribution Rate** means the interest rate (expressed as a percentage per annum) calculated or determined in accordance with clause 2.2;

**Equal Ranking Securities** means each of:

- (a) PERLS VI;
- (b) PERLS VII;
- (c) PERLS VIII;
- (d) PERLS IX;
- (e) PERLS X; and
- (f) any preference shares in the capital of CBA or any other securities which rank or are expressed to rank equally with PERLS X in a winding up of CBA, present and future, excluding any Junior Ranking Securities;

**Exchange** means, the exchange of all, some or a proportion of each PERLS X for Ordinary Shares under these Terms and **Exchanged** has a corresponding meaning;

**Exchange Date** means the applicable:

- (a) Mandatory Exchange Date;
- (b) date for Exchange specified in accordance with clause 4.1(e)(iii);
- (c) date for Exchange specified in accordance with clause 4.2(e)(iii);
- (d) date for Exchange specified in accordance with clause 4.7(b)(iii) or otherwise determined under clause 4.7(d);

**Exchange Number** has the meaning given in clause 7.1;

**Face Value** means A\$100 per PERLS X (**Initial Face Value**) reduced (if applicable) by the amount of Face Value per PERLS X which has previously been Exchanged or the amount of Face Value per PERLS X for which Holders' rights have been irrevocably terminated;

**FATCA** means Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (or any consolidation, amendment, re-enactment or replacement of those sections and including any current or future regulations or official interpretations issued, agreements entered into or non-US laws enacted in relation to those sections) and includes the Double Tax Agreement (United States of America – FATCA) Order 2014;

**Foreign Holder** means a Holder:

- (a) whose address in the Register is a place outside Australia;
- (b) who CBA otherwise believes may not be a resident of Australia; or
- (c) who CBA otherwise believes are subject to the securities laws of another country and CBA is not satisfied that the laws permit the offer, holding or acquisition of Ordinary Shares to the Holder (but CBA will not be bound to enquire into those laws), either unconditionally or after compliance with conditions which CBA, in its absolute discretion, regards as acceptable and not unduly onerous;

**Holder** means a person whose name is entered in the Register as a holder of PERLS X;

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

**Insolvent** means insolvent under section 95A of the Corporations Act;

**IRS** means the United States Internal Revenue Service;

**Issue Date** means the date on which PERLS X are issued, which is expected to be on or about 6 April 2018;

**Issue Date VWAP** means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding but not including the Issue Date, as adjusted in accordance with clauses 7.4 to 7.7;

**Junior Ranking Securities** means all Ordinary Shares, present and future;

**Level 1, Level 2 and Level 3** means those terms as defined by APRA from time to time;

**Mandatory Exchange Conditions** means the conditions in clause 3.2;

**Mandatory Exchange Date** 15 April 2027 or such other date as determined under clause 3.1;

**Margin** has the meaning given in clause 2.2;

**Market Rate** has the meaning given in clause 2.2;

**Maximum Exchange Number** has the meaning given in clause 7.1;

**Meeting Provisions** means the provisions for meetings of Holders set out in schedule 4 of the Trust Deed;

**NOHC** means a “non-operating holding company” within the meaning of the Banking Act;

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

**Non-Viability Trigger Event** has the meaning given in clause 4.2;

**Offer** means the invitation by CBA in the Prospectus to subscribe for PERLS X;

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

**PERLS VI** means Perpetual Exchangeable Resaleable Listed Securities issued by CBA in October 2012;

**PERLS VII** means CommBank PERLS VII Capital Notes issued by CBA in October 2014;

**PERLS VIII** means CommBank PERLS VIII Capital Notes issued by CBA in March 2016;

**PERLS IX** means CommBank PERLS IX Capital Notes issued by CBA in March 2017;

**PERLS X** means CommBank PERLS X Capital Notes issued by CBA under these Terms;

**Prospectus** means the prospectus relating to the offer of PERLS X dated on or about 7 March 2018 as supplemented or replaced;

**Purchaser** means one or more third parties selected by CBA in its absolute discretion (which cannot be CBA, a member of the CBA Group or a Related Body Corporate of CBA);

**Reclassification** has the meaning given in clause 7.3;

**Record Date** means, for payment of Distributions:

- (a) the date that is eight calendar days prior to the relevant Distribution Payment Date; or
- (b) such other date determined by CBA in its absolute discretion and communicated to ASX,

or in either case such other date as may be required by, or agreed with, ASX;

**Redemption** means the redemption of all or some PERLS X for their Face Value under these Terms and **Redeem** and **Redeemed** have corresponding meanings;

**Redemption Date** means, in respect of each PERLS X, the date specified by CBA as the Redemption Date in accordance with clause 5;

**Register** means the register of Holders established and maintained under clause 12 of the Trust Deed and, where appropriate, the term Register includes:

- (a) a sub-register maintained by or for CBA in CHESS; and
- (b) any branch register;

**Registry** means Link Market Services Limited ABN 54 083 214 537 or any other person appointed by CBA to maintain the Register;

**Related Body Corporate** means a related body corporate as defined in the Corporations Act, or an entity over which CBA, or a future parent entity of CBA, exercises control or significant influence;

**Relevant Security** means a security forming part of the Tier 1 Capital of CBA on a Level 1 basis or Level 2 basis;

**Resale** means the sale of PERLS X by Holders to the Purchaser in accordance with clause 6 and **Resell** and **Resold** have corresponding meanings;

**Resale Notice** means a notice issued in accordance with clause 6;

**Senior Ranking Obligations** means all deposits and other liabilities, securities (including Tier 2 Capital securities) and other obligations of CBA, present and future, other than Equal Ranking Securities or Junior Ranking Securities;

**Special Resolution** means:

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

**Subsidiary** has the meaning given in the Corporations Act;

**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) and, where applicable, the Income Tax Assessment Act 1997 (Cth) (both as amended from time to time);

**Terms** means these terms and conditions of PERLS X, as set out in schedule 1 of the Trust Deed;

**Tier 1 Capital** means the Tier 1 Capital of CBA on the relevant Level 1 or Level 2 basis, as defined by APRA from time to time; **Tier 2 Capital** means the Tier 2 Capital of CBA on the relevant Level 1 or Level 2 basis, as defined by APRA from time to time;

**Trust Deed** means the deed entitled “PERLS X Trust Deed” between CBA, and the Trustee and dated on or about 7 March 2018;

**Trustee** means The Trust Company (Australia) Limited (or any replacement trustee under the Trust Deed, who cannot be CBA, a member of the CBA Group or a Related Body Corporate of CBA)

**VWAP** means the average of the daily volume weighted average prices of Ordinary Shares traded on ASX during the relevant VWAP Period, subject to any adjustments made under clauses 7.2 and 7.3, but the trades taken into account in determining such daily volume weighted average prices will exclude special crossings, crossings prior to the commencement of normal trading or during the closing phase or after hours adjustment phase, overnight crossings, overseas trades, trades pursuant to the exercise of options over Ordinary Shares, or any other trade determined by the Board in its discretion not to be reflective of normal trading in Ordinary Shares; and

**VWAP Period** means:

- (a) in the case of an Exchange resulting from a Capital Trigger Event, or a Non-Viability Trigger Event, the period of 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Exchange Date;
- (b) in the case of any other Exchange, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Exchange Date; or
- (c) otherwise, the period for which the VWAP is to be calculated in accordance with these Terms.

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# GUIDE TO THE APPLICATION FORM

- A** Tick one box (where relevant) if you are applying under the Securityholder Offer and insert the corresponding SRN/HIN.
- B** **Number of PERLS X applied for:** Enter the number of PERLS X you wish to apply for. The Application must be a minimum 50 PERLS X (A\$5,000), thereafter in multiples of 10 PERLS X (A\$1,000). CBA may Allocate you all of the PERLS X applied for, a lesser number, or none at all.
- C** **Application payment:** Enter the amount of your Application payment. To calculate the amount, multiply the number of PERLS X applied for by the Issue Price (A\$100). Amounts should be in Australian dollars. Please ensure you enclose your Application payment equalling this amount with your Application.  
Broker Firm Applicants must contact the Syndicate Broker who offered them an Allocation under the Broker Firm Offer for instructions on how to submit their Application Form and Application payment. Do not send your completed Application Form and Application payment to the Registry or CBA.
- D** **Registrable name(s):** Enter the full name you wish to appear on your Holding Statement. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable names. Applications using the wrong form of names may be rejected. **CHESS participants should complete their name identically** to that presently registered in CHESS.

- E** **Address:** Enter your postal address for all correspondence. All communications to you from CBA and the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** **CHESS participant:** If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold PERLS X Allocated to you under this Application on the CHESS sub-register, enter your CHESS Holder Identification Number (HIN).  
**PERLS X will only be issued under an existing CHESS HIN if your full name and address details on this Application Form are identical to your CHESS registration details.** If your CHESS registration details are not identical, you will not be able to include any PERLS X Allocated to you on your existing CHESS HIN. Instead, you will be issued with an issuer-sponsored holding for any PERLS X Allocated to you. Once PERLS X have been allotted, you may be able to combine your PERLS X holding with your existing CHESS sponsored holdings by contacting your broker.
- G** **Contact details:** Enter your telephone number and contact name in case we need to contact you in relation to your Application.

## DECLARATIONS:

By returning this Application Form I/we represent, warrant and agree that I/we:

- **have personally received and read in full and understood the Prospectus (including an electronic version of the Prospectus or any supplementary or replacement document) and agree to be bound by the Terms, the Trust Deed and the terms and conditions of the Offer (including the representations, warranties and agreements contained in the Prospectus and this Application Form);**
- declare that I/we am/are over 18 years of age and have full legal capacity and power to perform all my/our rights and obligations under this Application;
- acknowledge that the information contained in the Prospectus (and any supplementary and replacement Prospectus) and this Application Form is not investment advice or a recommendation that PERLS X are suitable for me/us, given my/our investment objectives, financial situation or particular needs;
- declare that I/we have a registered Australian address;
- represent and warrant that:
  - I am/we are not in the United States, I am/we are not a US Person, I am/we are not acting for the account or benefit of a US Person or within the United States and I/we will not offer, sell or resell PERLS X in the United States or to, or for the account or benefit of, any US Person; and
  - the law of any other place does not prohibit me/us from being given the Prospectus and any replacement or supplementary prospectus or making an Application on this Application Form;
- apply for the number of PERLS X set out on this Application Form and agree to be issued such number of PERLS X or a lesser number;
- represent and warrant that all details and statements in the Application Form are complete and accurate;

Once you become a Holder, Chapter 2C of the Corporations Act requires information about you (including your name, address and details of the PERLS X you hold) to be included in a public register. The personal information submitted on this Application Form will be collected, used and disclosed as set out in Section 5.10 of the Prospectus. This information must continue to be included in CBA's public register if you cease to be a Holder. These statutory obligations are not altered by the *Privacy Amendment (Private Sector) Act 2000*. Information is collected to administer your security holding and if some or all of the information is not collected then it might not be possible to administer your security holding. The privacy policy of CBA and its subsidiaries is available on CBA's website ([www.commbank.com.au](http://www.commbank.com.au)).

The Registry's privacy policy is available on its website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)).

## CORRECT FORMS OF REGISTRABLE NAME(S)

Note that ONLY legal entities are allowed to hold PERLS X. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable name(s) below.

Type of investor	Correct form of registration	Incorrect form of registration
<b>Individual</b> Use given name(s) in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s) or company name (in the case of a corporate trustee)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>, or ABC Pty Ltd <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs / Unincorporated bodies / Business names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicants and/or account description using < > as indicated above in designated spaces at section D on this Application Form.



# GUIDE TO THE APPLICATION FORM

- A** Tick one box (where relevant) if you are applying under the Securityholder Offer and insert the corresponding SRN/HIN.
- B** **Number of PERLS X applied for:** Enter the number of PERLS X you wish to apply for. The Application must be a minimum 50 PERLS X (A\$5,000), thereafter in multiples of 10 PERLS X (A\$1,000). CBA may Allocate you all of the PERLS X applied for, a lesser number, or none at all.
- C** **Application payment:** Enter the amount of your Application payment. To calculate the amount, multiply the number of PERLS X applied for by the Issue Price (A\$100). Amounts should be in Australian dollars. Please ensure you enclose your Application payment equalling this amount with your Application.  
Broker Firm Applicants must contact the Syndicate Broker who offered them an Allocation under the Broker Firm Offer for instructions on how to submit their Application Form and Application payment. Do not send your completed Application Form and Application payment to the Registry or CBA.
- D** **Registrable name(s):** Enter the full name you wish to appear on your Holding Statement. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable names. Applications using the wrong form of names may be rejected. **CHESS participants should complete their name identically** to that presently registered in CHESS.

- E** **Address:** Enter your postal address for all correspondence. All communications to you from CBA and the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** **CHESS participant:** If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold PERLS X Allocated to you under this Application on the CHESS sub-register, enter your CHESS Holder Identification Number (HIN).  
**PERLS X will only be issued under an existing CHESS HIN if your full name and address details on this Application Form are identical to your CHESS registration details.** If your CHESS registration details are not identical, you will not be able to include any PERLS X Allocated to you on your existing CHESS HIN. Instead, you will be issued with an issuer-sponsored holding for any PERLS X Allocated to you. Once PERLS X have been allotted, you may be able to combine your PERLS X holding with your existing CHESS sponsored holdings by contacting your broker.
- G** **Contact details:** Enter your telephone number and contact name in case we need to contact you in relation to your Application.

## DECLARATIONS:

By returning this Application Form I/we represent, warrant and agree that I/we:

- **have personally received and read in full and understood the Prospectus (including an electronic version of the Prospectus or any supplementary or replacement document) and agree to be bound by the Terms, the Trust Deed and the terms and conditions of the Offer (including the representations, warranties and agreements contained in the Prospectus and this Application Form);**
- declare that I/we am/are over 18 years of age and have full legal capacity and power to perform all my/our rights and obligations under this Application;
- acknowledge that the information contained in the Prospectus (and any supplementary and replacement Prospectus) and this Application Form is not investment advice or a recommendation that PERLS X are suitable for me/us, given my/our investment objectives, financial situation or particular needs;
- declare that I/we have a registered Australian address;
- represent and warrant that:
  - I am/we are not in the United States, I am/we are not a US Person, I am/we are not acting for the account or benefit of a US Person or within the United States and I/we will not offer, sell or resell PERLS X in the United States or to, or for the account or benefit of, any US Person; and
  - the law of any other place does not prohibit me/us from being given the Prospectus and any replacement or supplementary prospectus or making an Application on this Application Form;
- apply for the number of PERLS X set out on this Application Form and agree to be issued such number of PERLS X or a lesser number;
- represent and warrant that all details and statements in the Application Form are complete and accurate;

Once you become a Holder, Chapter 2C of the Corporations Act requires information about you (including your name, address and details of the PERLS X you hold) to be included in a public register. The personal information submitted on this Application Form will be collected, used and disclosed as set out in Section 5.10 of the Prospectus. This information must continue to be included in CBA's public register if you cease to be a Holder. These statutory obligations are not altered by the *Privacy Amendment (Private Sector) Act 2000*. Information is collected to administer your security holding and if some or all of the information is not collected then it might not be possible to administer your security holding. The privacy policy of CBA and its subsidiaries is available on CBA's website ([www.commbank.com.au](http://www.commbank.com.au)).

The Registry's privacy policy is available on its website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)).

## CORRECT FORMS OF REGISTRABLE NAME(S)

Note that ONLY legal entities are allowed to hold PERLS X. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable name(s) below.

Type of investor	Correct form of registration	Incorrect form of registration
<b>Individual</b> Use given name(s) in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s) or company name (in the case of a corporate trustee)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>, or ABC Pty Ltd <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs / Unincorporated bodies / Business names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicants and/or account description using < > as indicated above in designated spaces at section D on this Application Form.

# Corporate Directory

## Registered Office of CBA

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

## Arranger and Joint Lead Manager

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

## Joint Lead Managers

ANZ Securities Limited  
ANZ Centre Melbourne  
Level 9, 833 Collins Street  
Docklands VIC 3008

Morgan Stanley Australia Securities Limited  
Level 39, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

Morgans Financial Limited  
Level 29, Riverside Centre  
123 Eagle Street  
Brisbane QLD 4000

Westpac Institutional Bank  
Level 2, Westpac Place  
275 Kent Street  
Sydney NSW 2000

## Co-Managers

Crestone Wealth Management Limited  
Level 32, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

Ord Minnett Limited  
Level 8, NAB House  
255 George Street  
Sydney NSW 2000

Shaw and Partners Limited  
Level 15, 60 Castlereagh Street  
Sydney NSW 2000

## Trustee

The Trust Company (Australia) Limited  
Level 18, Angel Place  
123 Pitt Street  
Sydney NSW 2000

## Legal and Tax Advisers

Herbert Smith Freehills  
ANZ Tower  
161 Castlereagh Street  
Sydney NSW 2000

Greenwoods & Herbert Smith Freehills Pty Limited  
ANZ Tower  
161 Castlereagh Street  
Sydney NSW 2000

## Accounting Adviser

PricewaterhouseCoopers Securities Ltd  
One International Towers Sydney  
Watermans Quay  
Barangaroo NSW 2000

## Registry

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

**PERLS X Information Line**

**1300 794 935 (Monday to Friday 8.00am - 7.30pm, Sydney time)**

