



## COMMONWEALTH BANK PROPOSES \$750m HYBRID EQUITY ISSUE

**Sydney 27 November 2003:** The Commonwealth Bank of Australia ("the Bank") today announced a proposed issue of Perpetual Exchangeable Resettable Listed Securities ("PERLS II") to raise up to \$750 million, with the ability to accept oversubscriptions of up to \$250 million.

The proposed offer of PERLS II would be made by Commonwealth Managed Investments Limited (CMIL), a wholly owned subsidiary of the Bank and responsible entity of the PERLS II Trust. CMIL proposes to issue up to 3.75 million PERLS II at an issue price of \$200 each. The minimum investment is \$5,000 or 25 PERLS II. A summary of the proposed key features of PERLS II is attached.

The Product Disclosure Statement for the PERLS II Offer is expected to be lodged with the Australian Securities and Investments Commission shortly. CMIL intends to issue up to 3.75 million PERLS II at an Issue Price of \$200 each. The minimum investment is \$5,000 or 25 PERLS II.

The Bank and CMIL are currently finalising arrangements in relation to the proposed offer of PERLS II including obtaining relevant regulatory approvals and determining the initial margin (which will be used to calculate the distribution rate on the PERLS II) through an institutional bookbuild to be undertaken today and tomorrow.

Michael Cameron, Chief Financial Officer, said that the proposed offer of PERLS II forms part of the Bank's long term funding programme. Proceeds of the PERLS II offer are intended to be used for the Bank's general funding purposes.

"The issue of PERLS II would provide the Bank with very cost-effective funding that would also qualify as Tier 1 capital for regulatory purposes. PERLS II will further increase the diversity and flexibility of the Bank's funding base," Mr Cameron said.

"In a rising interest rate environment, PERLS II should be an attractive investment offering investors a floating rate security in which returns will move with changes in the 90 day Bank Bill Swap Rate. Investor returns are delivered through a combination of cash distributions and franking credits," he said. "For these reasons, PERLS II should offer attractive after-tax returns compared to other cash investment alternatives".

While the legal form of PERLS II will be different to the existing Commonwealth Bank PERLS currently listed on the Australian Stock Exchange, PERLS II and the Commonwealth Bank PERLS would have some similar features.

PERLS II will offer investors a floating distribution rate payable quarterly, which is expected to be fully franked. The total distribution rate, including franking credits, will

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be determined each quarter as a margin over the Bank Bill Swap Rate for 90 day bills ("the BBSW"). The initial margin over the BBSW is expected to be in the range of 0.80% and 1.05% per annum and will apply until 15 March 2009.

The proposed PERLS II offer has been arranged by CommSec and has been underwritten by Deutsche Bank. CommSec and Deutsche Bank are Joint Lead Managers and Bookrunners to the offer.

If the offer of PERLS II proceeds, a Product Disclosure Statement for the PERLS II will be made generally available when lodged with ASIC. The lodged Product Disclosure Statement is expected to be made available on or after 28 November 2003 and will be made available from that time at <http://www.commsec.com.au> or by calling the PERLS II Information Line on 1800 022 440. Persons wishing to acquire PERLS II will need to complete and return the application form attached to or accompanying the Product Disclosure Statement. Potential investors should consider the Product Disclosure Statement in deciding whether to acquire PERLS II.

**(ENDS)**

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### KEY FEATURES OF PERLS II

#### Floating Distribution Rate

- Investors will receive a fully franked floating rate return from a combination of cash distributions and franking credits. This return is calculated each quarter as the sum of the Bank Bill Swap Rate for 90 day bills plus a Margin multiplied by (1- Australian corporate tax rate)
- The Initial Margin will be set following completion of an institutional bookbuild to be completed over Wednesday 27 November and Thursday 28 November and is expected to be in the range of 0.80% to 1.05% per annum
- Assuming the Bank Bill Swap Rate for 90 day bills is 5.3533% per annum (being the Bank Bill Swap Rate for 90 day bills on 25 November 2003) and the Initial Margin is 0.80% per annum, then the total return including value for franking credits would be 6.1533% per annum and the cash distribution would be 4.3073% per annum
- Distributions are payable quarterly in arrears (subject to satisfaction of certain conditions) (other than in respect of the first Distribution Period which is expected to be 70 days instead of a full quarter)

#### Preferred Distributions

- Interest on the Convertible Notes underlying PERLS II will be paid in preference to any dividends on Ordinary Shares
- If PERLS II Distributions are not paid – a “dividend stopper” prevents the Bank from paying distributions or dividends or returning share capital on its Ordinary Shares or certain other Tier 1 Capital Securities

#### Resettable Terms

- The Margin and certain other terms may be changed by the Bank on Rollover Dates
- The first Rollover Date is 15 March 2009

#### Exchangeable for Ordinary Shares or \$200 cash

- PERLS II Holders may require exchange of PERLS II on any Rollover Date
- On exchange, PERLS II Holders will receive for each PERLS II at the Bank's election one or a combination of the following alternatives - a number of Ordinary Shares calculated in accordance with the Conversion Ratio or \$200 cash (subject to APRA approval)

#### Quoted on ASX

- CMIL will apply to have PERLS II quoted on ASX

#### Issue Credit Rating

- Standard & Poor's has rated the Bank “AA-” and PERLS II “A-”
- Moody's has rated the Bank “Aa3” and PERLS II “A2”

### KEY OFFER DATES

PDS expected to be lodged with ASIC  
Bookbuild open  
Bookbuild close  
Announcement of Initial Margin  
Expected opening Date  
Closing Date  
Broker Firm Closing Date  
Allotment Date  
Commencement of trading on ASX on deferred settlement basis  
Dispatch of holding statements

28 November 2003  
10.30am 27 November 2003  
4pm 28 November 2003  
1 December 2003  
5 December 2003  
24 December 2003  
5 January 2004  
6 January 2004  
7 January 2004  
12 January 2004

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Commencement of trading on normal settlement basis  
First Distribution Date  
First Rollover Date

13 January 2004  
15 March 2004  
15 March 2009

### **These dates are subject to change**

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