



PERLS

Preferred Exchangeable Resettable Listed Shares

Prospectus

**for the Public Offer of Commonwealth Bank
PERLS to Raise up to \$700 Million**

Arranger

Salomon Smith Barney Australia Securities Pty Limited

Joint Lead Managers

Salomon Smith Barney Australia Securities Pty Limited
Commonwealth Securities Limited

Co-Managers

Credit Suisse First Boston Australia Limited
UBS Warburg Australia Limited



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Important Information

This Prospectus is dated 26 February 2001 for the issue of 3.5 million Commonwealth Bank PERLS at an Issue Price of \$200.00 each payable in full on Application, by way of an Offer to the Bank's Shareholders and members of the public.

This Prospectus was lodged with ASIC on 26 February 2001. ASIC and ASX take no responsibility for the contents of this Prospectus.

No securities will be Allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

This Prospectus will be made generally available during the exposure period by being posted on the Bank's website at www.commbank.com.au, Commonwealth Securities' website at www.comsec.com.au and Salomon Smith Barney's website at www.ssbaccess.com.au. Printed copies of this Prospectus are available during the Offer period by calling the Bank's information line on 1-800-242-300.

Applications under this Prospectus will not be accepted by the Bank prior to the opening of the Offer period.

Applicants should read this Prospectus in its entirety before deciding to participate in the Offer. If, after reading this Prospectus, you are

unclear in relation to any matter or if you have any questions about the Offer, you should contact your stockbroker, accountant or other professional adviser.

No action has been taken to register the Commonwealth Bank PERLS or otherwise permit a public offering of Commonwealth Bank PERLS in any jurisdiction outside of Australia. In particular, the Commonwealth Bank PERLS have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered or sold within the United States.

Some words used in this Prospectus have defined meanings. The Glossary on page 46 defines these words.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer or the Commonwealth Bank PERLS described in this Prospectus, which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Bank in connection with the Offer. Except as required by law and only to the extent so required, neither the Bank nor any other person warrants the future performance of the Bank or any return on any investment made pursuant to this Prospectus.

Summary of Key Dates

Offer opens
12 March 2001

Offer closes¹
30 March 2001

Allotment¹
6 April 2001

Commonwealth Bank PERLS commence
trading on ASX on a deferred settlement basis¹
9 April 2001

Dispatch of holding statements¹
19 April 2001

Commonwealth Bank PERLS trading
on ASX on a normal settlement basis¹
20 April 2001

First Quarter commences¹
6 April 2001

First Dividend Payment Date
6 July 2001

First Rollover Date
6 April 2006

¹ These dates are indicative only and are subject to change. The Bank has the right in its absolute discretion, after consulting with the Joint Lead Managers, to close any part of the Offer early or to extend the Closing Date for any part of the Offer without notice. If the Closing Date for any part of the Offer is extended, the subsequent dates may also be extended accordingly. Investors are encouraged to submit their Application Forms as soon as possible after the Offer opens.

Chairman's Letter

Dear Investor,

I am pleased to offer you the opportunity to invest in the Commonwealth Bank through an innovative investment in Preferred Exchangeable Resettable Listed Shares ("Commonwealth Bank PERLS").

Commonwealth Bank PERLS are a new preference share security, to be listed on the Australian Stock Exchange. Commonwealth Bank PERLS offer a floating Dividend Rate, payable quarterly in arrears. The Dividend Rate on the Commonwealth Bank PERLS will vary each Quarter and will be set at a percentage of the sum of the Margin of 1.85% per annum and the Market Rate, which is the 90 Day Bank Bill Rate – a rate commonly used as a base reference rate in Australia. The Dividend paid on Commonwealth Bank PERLS is expected to be fully franked. The Dividend Rate for the first Quarter will be 5.60% per annum.

Commonwealth Bank PERLS have no maturity date. However, investors have the right to Exchange Commonwealth Bank PERLS at the Issue Price on each Rollover Date, the first of which will occur five years from the Allotment Date. Investors wanting to realise their investment prior to the Rollover Date can sell on the Australian Stock Exchange at the prevailing market price. There can be no assurance as to what that price will be.

Commonwealth Bank intends to issue up to 3.5 million Commonwealth Bank PERLS at an Issue Price of \$200.00 each to raise proceeds of up to \$700 million. The minimum investment is \$5,000 or 25 Commonwealth Bank PERLS. Commonwealth Bank Shareholders will receive preference over general Applicants in the Allocation of Commonwealth Bank PERLS in the event that the scaling back of Applications is necessary.

The issue of Commonwealth Bank PERLS forms part of the Bank's continual capital management program. The proceeds from the issue will be used to buy-back some Ordinary Shares to achieve a more efficient capital structure.

Full details of this investment opportunity are set out in the Prospectus and I urge you to read it carefully.

To subscribe for Commonwealth Bank PERLS, you will need to fill out the Application Form accompanying this Prospectus. Applications can only be made on this form. If you have any questions, information and assistance can be obtained by calling 1-800-242-300.

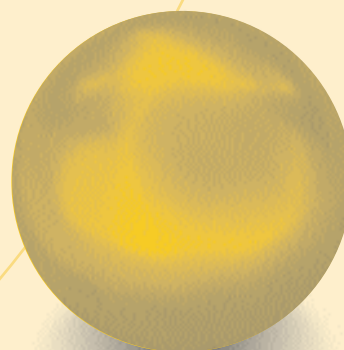
The Offer is due to open on 12 March 2001 and close on 30 March 2001. However, it is possible that the Offer will close early so I strongly recommend that you lodge your Application early.

On behalf of the Board, I invite you to consider this investment opportunity.

Yours faithfully,



John Ralph ac
Chairman



1 Summary of Commonwealth Bank PERLS

The Bank proposes to raise up to \$700 million through an Offer of Commonwealth Bank PERLS.

Set out below is a summary of the key Terms and Conditions of the Commonwealth Bank PERLS. This information is a summary only, and should be read in conjunction with other information contained in this Prospectus, in particular, the detailed Terms and Conditions included in Appendix A.

Issuer	Commonwealth Bank of Australia
Security	Preferred Exchangeable Resettable Listed Shares ("Commonwealth Bank PERLS")
Issue Size	Up to \$700 million (3.5 million Commonwealth Bank PERLS)
Issue Price	\$200.00
Dividend Rate	A floating Dividend Rate set at a percentage (refer to Dividend Factor below) of the sum of the Margin and the Market Rate, which, for the first five years, is the 90 Day Bank Bill Rate. The Dividend Rate will be reset for each subsequent Quarter while the Commonwealth Bank PERLS remain outstanding to reflect increases or decreases in the underlying 90 Day Bank Bill Rate. To reflect changes in market conditions, on the fifth anniversary of the Allotment Date, and on each subsequent Rollover Date, the Market Rate can be changed from the 90 Day Bank Bill Rate to a rate determined by the Bank, and the Dividend Factor can be increased or decreased (subject to APRA approval). The Margin can also be increased or decreased on the tenth anniversary of the Allotment Date, and on each subsequent Rollover Date, subject to certain conditions.
Franking	The Bank expects the Dividend paid on Commonwealth Bank PERLS to be fully franked. If the Dividend on Commonwealth Bank PERLS is not franked to 100%, Commonwealth Bank PERLS Holders will have the right to elect to Exchange their Commonwealth Bank PERLS on the next Dividend Payment Date.
Dividend Factor	The Dividend Factor adjusts the sum of the Margin and the Market Rate to reflect the expectation that the Dividend paid on Commonwealth Bank PERLS will be fully franked (i.e. 100% franking). The Dividend Factor is calculated based on the corporate tax rate and an estimate of the value attributed to franking by investors, assuming the Dividend paid on Commonwealth Bank PERLS is fully franked.
Dividend	The Dividend is non-cumulative and payable quarterly in arrears. The Dividend payable for each Quarter is calculated based on the Issue Price, the Dividend Rate and the number of days in the Quarter.
Rollover Dates	The terms of the Commonwealth Bank PERLS incorporate an Exchange mechanism on each Rollover Date. On each Rollover Date, specific terms of the Commonwealth Bank PERLS may be changed. The Market Rate, the Dividend Factor, the Rollover Date and the frequency of Dividend payments may be reset by the Bank on the fifth anniversary of the Allotment Date, and on each subsequent Rollover Date, to reflect changes in market conditions. After the tenth anniversary of the Allotment Date, the Margin may also be changed.
Exchange	At least 50 Business Days before a Rollover Date, the Bank must issue a Dividend Reset Notice specifying the new terms for Commonwealth Bank PERLS to apply for the next period. Investors not wishing to rollover their Commonwealth Bank PERLS may request to Exchange. Where investors elect to Exchange their Commonwealth Bank PERLS, the Bank will, at its election: <ul style="list-style-type: none"> • convert the Commonwealth Bank PERLS into Ordinary Shares, the number of Ordinary Shares to be calculated by dividing the Issue Price by 97.5% of the average daily volume weighted average sale price of Ordinary Shares during the 20 Business Days prior to the Exchange Date; or • arrange that the Commonwealth Bank PERLS be acquired at the Issue Price by a third party and that the proceeds be delivered to the Holder. Holders of Commonwealth Bank PERLS who do not elect to Exchange are deemed to have accepted the new terms for Commonwealth Bank PERLS offered by the Bank.
Repurchase	Subject to APRA approval the Bank has the right to purchase all or a portion of a Holder's Commonwealth Bank PERLS for the Issue Price on the fifth anniversary of the Allotment Date or on any Dividend Payment Date after the fifth anniversary of the Allotment Date. This right can still be exercised by the Bank where a Holder has requested an Exchange. Additionally, the Commonwealth Bank PERLS may be repurchased by the Bank in the case of specific Regulatory Event or Tax Event.
Conversion to Ordinary Shares	The Commonwealth Bank PERLS may be converted into Ordinary Shares either automatically, or at the Bank's election, in specified circumstances.
Ranking	Dividends will be paid in priority to any dividends declared on Ordinary Shares. In the event of a Winding Up, Commonwealth Bank PERLS will rank for repayment of capital behind all creditors of the Bank but ahead of Ordinary Shares.
Participation	Prior to Exchange, Holders of Commonwealth Bank PERLS do not have a right to participate in issues of securities to, or capital reconstructions affecting, holders of Ordinary Shares. However, the number of Ordinary Shares to be issued on Exchange may be adjusted for dividends, rights issues, bonus issues, capital reconstructions and capital distributions where appropriate.
Voting Rights	No right to vote at general meetings except in limited circumstances.
Listing	ASX

2 Investment Highlights and Risks

Investment Highlights

Floating Rate Dividend	Dividend Rate to be adjusted every Quarter to reflect market movements in the 90 Day Bank Bill Rate. The Margin for the first 10 years will be 1.8500% per annum. The 90 Day Bank Bill Rate for the first Quarter will be 5.5583% per annum and the Dividend Rate for the first Quarter will be 5.6066% per annum.
Fully Franked Dividend	Dividend expected to be fully franked. Otherwise, investors have the option to exit their investment in Commonwealth Bank PERLS.
Quarterly Dividend Distributions	Dividends are paid quarterly in July, October, January and April of each year.
Dividend Stopper	If Dividends are not paid on Commonwealth Bank PERLS, no dividends can be paid on Ordinary Shares until four consecutive Dividends are paid or an Optional Dividend is paid on Commonwealth Bank PERLS.
Margin Reset	To reflect changes in market conditions, the Margin can be increased or decreased on the tenth anniversary of the Allotment Date, and on each subsequent Rollover Date, subject to certain conditions.
Resettable Terms	Specific terms (including the Market Rate and the Dividend Factor) may be reset by the Bank on the fifth anniversary of the Allotment Date, and on each subsequent Rollover Date, to reflect changes in market conditions.
Exchange Mechanism	Investor flexibility to exit their investment in Commonwealth Bank PERLS through an Exchange election on each Rollover Date or, if the Dividend is not fully franked, at the next Dividend Payment Date.
Listing on ASX	Application will be made to the ASX to have Commonwealth Bank PERLS listed.
Large Issue by Quality Issuer	Issue size of up to \$700 million. Commonwealth Bank credit rating: AA- (Standard & Poor's Ratings Services)/Aa3 (Moody's Investors Service)/AA (Fitch, Inc.). Commonwealth Bank PERLS credit rating: A- (Standard & Poor's Ratings Services)/"a1" (Moody's Investors Service)/A+ (Fitch, Inc.).

Risks

There are particular risks associated with investing in the Commonwealth Bank PERLS, as well as general risks associated with investing in the Bank. These risks are set out in Section 6.

Prospective investors should read the whole of this Prospectus carefully. If an investor is unclear in relation to any matter or uncertain if Commonwealth Bank PERLS are a suitable investment, the investor should consult a stockbroker, accountant, financial or other adviser.

3 How to Invest

When to Apply

The Offer will open at 9:00am (Sydney time) on 12 March 2001 and is expected to close at 5:00pm (Sydney time) on 30 March 2001.

Applications must be received at the Bank's share registry, ASX Perpetual Registrars, by no later than 5:00pm (Sydney time) on 30 March 2001.

The Bank may close the Offer early or extend the Closing Date without notice. **Investors are encouraged to submit their Application Forms as soon as possible after the Offer opens.** If the Closing Date is varied, subsequent dates may also be varied accordingly.

How to Apply

To apply for Commonwealth Bank PERLS, you must complete the relevant Application Form attached to or accompanying this Prospectus or obtained from the Bank's website at www.commbank.com.au, Commonwealth Securities' website at www.comsec.com.au or Salomon Smith Barney's website at www.ssbaccess.com.au, in accordance with the instructions set out on the Application Form. Your completed Application Form and payment must be returned to the address set out below.

The Bank's Shareholders

If you are an Australian resident and were registered as a Bank shareholder at 5:00pm Sydney time on 7 March 2001 and you registered for a Prospectus, you should have received a **pink** personalised Application Form with your copy of the Prospectus. If you have obtained a copy of this Prospectus from www.commbank.com.au, www.comsec.com.au or www.ssbaccess.com.au, you should have obtained the accompanying **Shareholders' Priority Application Form** from that site.

You must use the **pink** personalised Application Form, or a **Shareholders' Priority Application Form** from the Bank's, Commonwealth Securities' or Salomon Smith Barney's websites to ensure that you receive your shareholder priority.

Other Applicants

If you were not registered as a Bank shareholder at 5:00pm Sydney time on 7 March 2001, you should use the **blue** Application Form attached to this Prospectus or the Application Form (accompanying the Prospectus) for other Applicants on the Bank's, Commonwealth Securities' or Salomon Smith Barney's websites.

Where to Send Your Completed Application Form

Completed Application Forms, including Applications Forms obtained from the Bank's, Commonwealth Securities' or Salomon Smith Barney's websites, (but excluding Applications for institutional investors, Joint Lead Manager and broker Allocations), and accompanying cheques or money orders must be mailed or delivered to ASX Perpetual Registrars at:

✉ **Commonwealth Bank PERLS
Locked Bag A5070
Sydney South NSW 1232**

or

✋ **Commonwealth Bank PERLS
c/- ASX Perpetual Registrars Limited
Level 8, 580 George Street
Sydney NSW 2000**

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

Payment

Completed Application Forms must be accompanied by a cheque(s) or money order in Australian dollars drawn on an Australian branch of a financial institution. **Cheques should be crossed "not negotiable" and made payable to Commonwealth Bank PERLS.** Clients with Joint Lead Manager or broker Allocations should refer to their adviser for settlement instructions.

Joint Lead Manager, Broker Firm and Institutional Allocations

If you have received a Joint Lead Manager or broker firm Allocation of Commonwealth Bank PERLS from one of the Joint Lead Managers or broker firms to the Offer, your Application and payment procedures will differ in two important respects from those described above:

- Your Application cheque must be made payable to the Joint Lead Manager or broker who has made you an offer of firm Allocation (**not to Commonwealth Bank PERLS**).
- Your completed Application Form and Application cheque must be delivered to the Joint Lead Manager or broker firm directly (**not to ASX Perpetual Registrars**).

These differences, and any other requirements, will be explained to you by your Joint Lead Manager or broker. If you have a Joint Lead Manager or broker firm Allocation of Commonwealth Bank PERLS and are in any doubt about what action you should take, you should immediately contact the Joint Lead Manager or broker who has made you an offer of a firm Allocation.

If you are an institutional investor, Application and settlement procedures will be as notified by the Joint Lead Managers.

Minimum Application

The price of each of the Commonwealth Bank PERLS is \$200.00. Applications must be for a minimum of 25 Commonwealth Bank PERLS, which is \$5,000.

Brokerage and Stamp Duty

No brokerage or stamp duty on the Allotment of Commonwealth Bank PERLS is payable on initial Application.

Refunds

If you are Allotted less than the number of Commonwealth Bank PERLS you applied for you will receive a refund cheque as soon as practicable after the closing date of the Offer. **No interest will be payable on Application Monies.**

Who may apply?

The Offer of Commonwealth Bank PERLS is available to persons receiving the Prospectus within Australia. No action will be taken to register the Prospectus or otherwise permit a public offering of Commonwealth Bank PERLS in any jurisdiction outside Australia. The Offer is not made in any jurisdiction where the laws of that jurisdiction would require the Prospectus to be registered or other action to be taken by the Bank. Applications from persons resident outside Australia will only be accepted where the person has made a prior arrangement with the Bank and it would not breach any domestic law which the investor or the Bank is required to observe in respect of the Offer.

Deferred Settlement Trading

After the Allotment of the Commonwealth Bank PERLS on 6 April 2001, there will be a period of deferred settlement trading until 20 April 2001, when trading will occur without deferred settlement. The dispatch of holding statements is expected to have occurred by 19 April 2001.

It is your responsibility to determine your Allocation before trading your Commonwealth Bank PERLS to avoid the risk of selling Commonwealth Bank PERLS you do not own. To assist you in determining your Allocation prior to receipt of your holding statement, you may call the Commonwealth Bank PERLS information line on 1-800-242-300 to seek information on your Allocation. **If you sell your Commonwealth Bank PERLS before you receive confirmation of your Allocation, you do so at your own risk.**

Enquiries

If you require assistance to complete the Application Form, or require additional copies of this Prospectus, you should contact the Bank's information line on 1-800-242-300.

If you are unclear in relation to any matter or are uncertain if Commonwealth Bank PERLS are a suitable investment, you should contact your stockbroker, accountant or other professional adviser.

By returning a valid Application Form, the Applicant acknowledges having received and read this Prospectus.

4 Answers to Key Questions

This Section answers some of the questions that prospective investors may have about Commonwealth Bank PERLS. These answers are intended as a guide only. Further details are provided elsewhere in this Prospectus, which should be read in its entirety.

The Terms and Conditions of the issue of Commonwealth Bank PERLS are set out in full in Appendix A.

What are Commonwealth Bank PERLS?

Commonwealth Bank PERLS are a class of the Bank's preference shares that entitle the Holders to a Dividend that is expected to be fully franked. Dividends will be payable quarterly in arrears. In certain limited circumstances, Dividends may not be payable. Commonwealth Bank PERLS are perpetual and exchangeable into Ordinary Shares in certain circumstances. The terms of Commonwealth Bank PERLS are resettable on certain dates. Commonwealth Bank PERLS rank in priority to Ordinary Shares for payment of Dividends and for a return of capital on a Winding Up of the Bank. The Bank may not issue shares ranking in priority to Commonwealth Bank PERLS without prior approval of the Holders of Commonwealth Bank PERLS.

When will Dividends be paid?

Dividends are due to be paid quarterly in arrears on Commonwealth Bank PERLS on the following dates each year, commencing on 6 July 2001:

- 6 July
- 6 October
- 6 January
- 6 April

or if that day is not a Business Day, then the next Business Day.

Dividends are payable at the end of each Quarter, either by cheque or to a bank account of your choice.

The frequency of payments may be varied after five years.

How will the Dividend Rate be calculated?

The Dividend Rate for Commonwealth Bank PERLS will be set on the first Business Day of each Quarter by applying a Margin to the Market Rate, which is the 90 Day Bank Bill Rate on that date, and multiplying this sum by the Dividend Factor. The Margin at the time of the Offer is 1.8500% per annum. The Dividend Rate for the first Quarter is calculated as follows:

Market Rate (i.e. 90 Day Bank Bill Rate as at 23 February 2001)	5.5583% p.a.
Plus Margin	1.8500% p.a.
	7.4083% p.a.
Multiplied by the Dividend Factor	0.7568
Dividend Rate (first Quarter)	5.6066% p.a.

The Dividend Factor is 0.7568 for the first five years (refer below to "What is the Dividend Factor?"). After five years, the Directors can change the Market Rate and the Dividend Factor. The Market Rate could, for example, become a fixed rate. After 10 years, the Margin can also be changed (refer below to "What happens on a Rollover Date?").

The date on which each Quarter starts is shown in the table below. The Dividend Rate so calculated will apply for the following three months. The Dividend Rate for Commonwealth Bank PERLS will be notified to the ASX. The relevant dates are as follows:

Dividend Rate is set quarterly in advance on this date each year ...

7 July
7 October
7 January
7 April

... and is payable quarterly in arrears three months later on this date each year

6 October
6 January
6 April
6 July

or if that day is not a Business Day, then the next Business Day.

For the first Quarter, the Dividend Rate was set on 23 February 2001 and will accrue from the Allotment Date.

To be entitled to a Dividend, Holders of Commonwealth Bank PERLS must be recorded on the register on the Record Date, which is 11 Business Days (or such other period as determined by the Listing Rules from time to time) before the date on which the payment of a Dividend becomes due.

What is the Dividend Factor?

The Dividend Factor adjusts the sum of the Margin and the Market Rate to reflect the expectation that the Dividend paid on Commonwealth Bank PERLS will be fully franked (i.e. 100% franking).

The Dividend Factor is determined based on the corporate tax rate and an estimate of the value attributed to franking by investors, assuming the Dividend paid on Commonwealth Bank PERLS is fully franked.

The Dividend Factor for the first five years is 0.7568, which is calculated assuming a corporate tax rate of 30%, full franking, and an estimate of 75% for the value to investors of franking.

That Dividend Factor may be varied after five years (refer below to “What happens on a Rollover Date?”). However, the Dividend Factor can only be varied from 0.7568 with APRA approval and cannot be a number greater than 1.

How will the Dividend be calculated?

The Dividend payable on Commonwealth Bank PERLS for each Quarter is calculated based on the Issue Price, the Dividend Rate and the number of days in the Quarter.

For example, the Dividend Rate for Commonwealth Bank PERLS for the first Quarter is 5.6066% per annum and the number of days in the first Quarter is 91. This Dividend for the first Quarter is therefore calculated as follows:

Issue Price	\$200.00
Multiplied by the Dividend Rate	5.6066%
Multiplied by the number of days in the Quarter	91
Divided by the number of days in a Year	365
Dividend (first Quarter)	\$2.7956

What is the 90 Day Bank Bill Rate?

The 90 Day Bank Bill Rate is the primary per annum benchmark interest rate for the Australian money market commonly used by major Australian banks to lend short-term cash to each other over a 90-day period. The 90 Day Bank Bill Rate changes continuously to reflect the supply and demand within the cash and currency markets. You should be aware that the 90 Day Bank Bill Rate has varied between 4.73% per annum and 21.5% per annum since March 1979. On 23 February 2001, the 90 Day Bank Bill Rate was 5.5583%.

Will the Margin that is applied to the 90 Day Bank Bill Rate change over time?

On and after the tenth anniversary of the Allotment Date, the Bank may increase or decrease the Margin on each subsequent Rollover Date, subject to certain conditions as set out in the Terms and Conditions of Commonwealth Bank PERLS in Appendix A.

Will Dividends always be paid?

Dividends on Commonwealth Bank PERLS are non-cumulative and, therefore, if a Dividend is not paid for any particular Quarter, an investor will not receive that Dividend unless the Bank elects, at its option, to make up the payment. However, if a Dividend is not paid or made up, the Bank will not be permitted to pay Dividends on any of its Ordinary Shares or securities ranking equally with Commonwealth Bank PERLS until four consecutive Dividends on the Commonwealth Bank PERLS are paid or an Optional Dividend is paid.

Even though the Bank is one of Australia’s largest financial institutions, there are certain limited circumstances where Dividends may not be payable. Payment of Dividends on Commonwealth Bank PERLS is subject to:

- Directors declaring a Dividend to be payable;
- the amount of the Dividends payable on the Commonwealth Bank PERLS not exceeding the Bank’s Distributable Profits on the relevant Dividend Payment Date;
- the payment of Dividends not resulting in the Bank’s capital adequacy ratios falling below APRA’s requirements; and
- APRA not objecting to the payment of the Dividend.

Distributable Profits means at any time the operating profits after income tax of the Bank for the immediately preceding Year less the aggregate amount of any dividends paid on any Preference Shares or Ordinary Shares of the Bank in the current Year.

What are the risks of investing in Commonwealth Bank PERLS?

There are particular risks associated with investing in Commonwealth Bank PERLS, as well as general risks associated with investing in the Bank. These risks are set out in Section 6.

What happens on a Rollover Date?

The terms of the Commonwealth Bank PERLS incorporate a rollover mechanism. On each Rollover Date, specific terms of the Commonwealth Bank PERLS may be changed, including:

- the date of the next Rollover Date;
- the Dividend Rate (including the Market Rate, the Dividend Factor (subject to APRA approval) and, from the tenth anniversary of the Allotment Date, the Margin) to apply for the next period; and
- the frequency of Dividend Payment Dates.

On each Rollover Date on and after the tenth anniversary of the Offer, the Bank may increase or decrease the Margin on Commonwealth Bank PERLS, subject to certain conditions as set out in the Terms and Conditions of Commonwealth Bank PERLS in Appendix A.

At least 50 Business Days before a Rollover Date, the Bank must issue a Dividend Reset Notice specifying the date of the next Rollover Date, the Dividend Rate to apply for the next period, and the frequency of the Dividend Payment Dates.

At least 35 Business Days prior to a Rollover Date, investors not wishing to rollover their Commonwealth Bank PERLS may request to Exchange. Holders of Commonwealth Bank PERLS who do not elect to Exchange are deemed to have accepted the new terms for Commonwealth Bank PERLS offered by the Bank.

The first Rollover Date occurs on the fifth anniversary of the Allotment Date.

When do Rollover Dates occur?

The first Rollover Date will occur on the fifth anniversary of the Allotment Date on 6 April 2006. At each Rollover Date, the Bank has the right to determine the timing of subsequent Rollover Dates.

What is an Exchange?

A Holder may require the Bank to Exchange the Commonwealth Bank PERLS on a Rollover Date, the first of which occurs at the fifth anniversary of the Allotment Date, or at the next Dividend Payment Date if the Dividend is not fully franked. If a Holder delivers an Exchange Notice to the Bank, the Bank will, at its election:

- convert the Commonwealth Bank PERLS into Ordinary Shares, with the number of Ordinary Shares to be calculated by dividing the Issue Price by 97.5% of the average daily volume weighted average sale price of Ordinary Shares during the 20 Business Days prior to the Exchange Date; or
- arrange that the Commonwealth Bank PERLS be acquired at the Issue Price by a third party and that the proceeds be delivered to the Holder.

Holders of Commonwealth Bank PERLS who do not elect to Exchange are deemed to have accepted the new terms for Commonwealth Bank PERLS offered by the Bank.

When would conversion of Commonwealth Bank PERLS into Ordinary Shares occur?

Conversion would occur:

- If the Bank elects to convert the Commonwealth Bank PERLS into Ordinary Shares on a Rollover Date (refer above to “What is an Exchange?”), having received an Exchange Notice from Holders.
- Subject to APRA approval, if the Bank elects to convert some, or all, of the Commonwealth Bank PERLS into Ordinary Shares at least 21 Business Days (but no more than six months) prior to the fifth anniversary of the Allotment Date, or at least 21 Business Days prior to any Dividend Payment after the fifth anniversary of the Allotment Date, having issued an Exchange Notice to Holders.
- If the Bank elects to convert the Commonwealth Bank PERLS into Ordinary Shares at any time on the occurrence of a Regulatory Event or Tax Event, subject to APRA approval.
- On a mandatory basis on the occurrence of an Acceleration Event.

What happens on conversion?

On conversion, each Commonwealth Bank PERLS will convert into one Ordinary Share and its Holder will be issued the number of additional Ordinary Shares determined in accordance with the Terms and Conditions in Appendix A (summarised in the next paragraph). All of those Ordinary Shares will rank equally in all respects with Ordinary Shares then on issue.

The number of additional Ordinary Shares issued will be calculated by dividing the Issue Price by 97.5% of the average daily volume weighted average sale price of Ordinary Shares during the 20 Business Days prior to the Exchange Date. The number of additional Ordinary Shares issued on conversion is dependent on a number of factors, including the price of Ordinary Shares over the 20 Business Days period prior to the Exchange Date.

Can the Bank repurchase the Commonwealth Bank PERLS?

Subject to APRA approval, the Bank has the right to purchase all or a portion of a Holder’s Commonwealth Bank PERLS for the Issue Price on the fifth anniversary of the Allotment Date or on any Dividend Payment Date after the fifth anniversary of the Allotment Date. This right can be exercised by the Bank where a Holder has requested an Exchange.

The Bank may also buy-back Commonwealth Bank PERLS on market, subject to APRA’s approval.

What happens if the Dividends are not fully franked?

The Bank expects to pay a fully franked Dividend on Commonwealth Bank PERLS. If the Bank does not pay a fully franked Dividend, investors may elect to Exchange their Commonwealth Bank PERLS at the next Dividend Payment Date. Where investors elect to Exchange, the Bank has the options described above in "What is an Exchange?".

Can Commonwealth Bank PERLS be purchased or sold on the ASX?

The Bank will apply for Commonwealth Bank PERLS to be quoted on the ASX. Once quoted, the Commonwealth Bank PERLS can be purchased or sold through any stockbroker.

Will I be able to request repurchase of my investment?

To realise their investment, Holders of Commonwealth Bank PERLS can sell their Commonwealth Bank PERLS on the ASX at the prevailing market price. That price may be higher or lower than the Issue Price, and will depend, among other things, on the level of supply and demand for Commonwealth Bank PERLS.

Holders of Commonwealth Bank PERLS can also elect to Exchange their Commonwealth Bank PERLS on a Rollover Date. The first Rollover Date is on 6 April 2006 (refer above to "What is an Exchange?"). Additionally, should a Dividend payment not be fully franked, the Holder may request to Exchange on the next Dividend Payment Date.

In a Winding Up of the Bank, what will Holders of Commonwealth Bank PERLS receive?

In a Winding Up of the Bank, Holders of Commonwealth Bank PERLS will be entitled to a return of capital up to the Issue Price of the Commonwealth Bank PERLS after all depositors and other liabilities of the Bank have been paid. Holders of Commonwealth Bank PERLS will rank ahead of Holders of Ordinary Shares in a Winding Up to the extent of the Issue Price of the Commonwealth Bank PERLS.

In the event of a shortfall of funds in a Winding Up, there is a risk that the Holders of Commonwealth Bank PERLS will not receive a full return of capital on the Commonwealth Bank PERLS.

What are the taxation implications of holding or selling Commonwealth Bank PERLS?

The taxation implications of investing in Commonwealth Bank PERLS will depend on investors' individual circumstances. Shareholders and prospective investors should obtain their own taxation advice. A general outline of the Australian taxation consequences is included in the letter from Greenwoods & Freehills Pty Ltd to the Bank set out in Section 8.

Do Commonwealth Bank PERLS have voting rights?

Commonwealth Bank PERLS do not have voting rights, except in limited circumstances specified in the Terms and Conditions of Commonwealth Bank PERLS in Appendix A, when each of the Commonwealth Bank PERLS will carry the same voting rights as one Ordinary Share.

Is brokerage or stamp duty payable?

No brokerage or stamp duty is payable on the Allotment of Commonwealth Bank PERLS by investors. However, stamp duty and brokerage may be payable on any subsequent transfer of Commonwealth Bank PERLS.

Why are the funds being raised?

The funds raised qualify as Tier 1 Capital of the Bank for regulatory purposes and will be used to buy-back some Ordinary Shares for capital management purposes.

Why is the Bank raising new equity and undertaking an Ordinary Share buy-back at the same time?

The capital management strategy that the Bank is implementing involves replacing some Ordinary Shares with a less expensive form of Tier 1 regulatory capital to achieve a more efficient capital structure.

Prospective investors should read the whole of this Prospectus carefully. If an investor is unclear in relation to any matter or uncertain if Commonwealth Bank PERLS is a suitable investment, the investor should consult a stockbroker, accountant, financial or other adviser.



5 Details of the Offer

5.1 Structure of the Offer

Allocation Policy

The Bank intends to Allocate the Commonwealth Bank PERLS on 6 April 2001.

In the event of excess demand for Commonwealth Bank PERLS, the Bank, in consultation with the Joint Lead Managers, will consider scaling back Applications.

In determining the Allocation of Commonwealth Bank PERLS to investors, the Bank and the Joint Lead Managers will have regard to the Bank's objectives to achieve an orderly and successful secondary market and a wide distribution of Commonwealth Bank PERLS.

Applications may be subject to scaling back and some Applications may be rejected. This may include scaling back to below the stated minimum Application of 25 Commonwealth Bank PERLS.

In respect of any Application where the number of Commonwealth Bank PERLS Allotted is less than the number applied for, or where no Allotment is made, surplus Application Monies will be refunded as soon as practicable after the Offer closes. **No interest will be payable on Application Monies.**

The Bank reserves the right to raise less than \$700 million of Commonwealth Bank PERLS.

Priority for the Bank's Shareholders

If there is excess demand, Australian resident Shareholders registered at 5:00pm on 7 March 2001 who submit a **pink** Application Form (or the **Shareholders' Priority Application Form** downloaded from the Bank's website at **www.commbank.com.au**, Commonwealth Securities' website at **www.comsec.com.au** or Salomon Smith Barney's website at **www.ssbaccess.com.au** will receive a priority Allocation. The Bank, in consultation with the Joint Lead Managers, will have the absolute discretion to determine the method and extent of that priority Allocation.

The holders of options over Ordinary Shares will not receive priority Allocation.

Firm Allocations to Joint Lead Managers or Brokers

Firm Allocations to Joint Lead Managers or brokers for their private clients will not be scaled back by the Bank. The distribution of firm Allocations to individual clients by a Joint Lead Manager or broker will be at the discretion of that Joint Lead Manager or broker.

5.2 Other Information

ASX Listing

Application will be made to the ASX no later than seven days after the date of this Prospectus for admission of

Commonwealth Bank PERLS to quotation. It is expected that trading on the ASX on a deferred settlement basis will commence upon Allotment on 6 April 2001. It is expected that trading on the ASX will commence on a normal settlement basis on 20 April 2001 and that holding statements will be dispatched on 19 April 2001. If Commonwealth Bank PERLS are not admitted to the official list of the ASX, the Commonwealth Bank PERLS will not be issued and Application Monies will be refunded to Applicants.

Provision of Holding Statements

The Bank will apply for Commonwealth Bank PERLS to participate in CHESS and, if official quotation is granted by the ASX, no share certificates will be issued.

Following the Allotment of Commonwealth Bank PERLS to Successful Applicants, Holders of Commonwealth Bank PERLS will be sent an initial statement that sets out the number of Commonwealth Bank PERLS they have been Allotted in the Offer. **It is the responsibility of Applicants to determine their Allotment prior to trading in Commonwealth Bank PERLS. Applicants who sell Commonwealth Bank PERLS before they receive their shareholder statements will do so at their own risk.** Holders of Commonwealth Bank PERLS will receive subsequent statements showing changes to their Commonwealth Bank PERLS holding.

Prospectus Available On-line

A copy of this Prospectus with an accompanying Application Form is available on-line at the Bank's website at **www.commbank.com.au**, Commonwealth Securities' website at **www.comsec.com.au** and Salomon Smith Barney's website at **www.ssbaccess.com.au**.

Persons who receive a copy of this Prospectus in electronic format from one of these websites are entitled to obtain a paper copy of the Prospectus (including the relevant accompanying Application Form) free of charge by contacting the Bank's information line on 1-800-242-300.

The Offer constituted by this Prospectus in electronic form is available only to persons receiving the Prospectus in electronic form within Australia. Completed Application Forms must be mailed or delivered to ASX Perpetual Registrars in the manner set out in Section 3. Australian residents may obtain the relevant Application Form accompanying the Prospectus from the Bank's website at **www.commbank.com.au**, Commonwealth Securities' website at **www.comsec.com.au** or Salomon Smith Barney's website at **www.ssbaccess.com.au** and submit the completed Application Form to the address set out in Section 3.

6 Risk of Investing in Commonwealth Bank PERLS

Before applying for Commonwealth Bank PERLS, prospective investors should consider whether Commonwealth Bank PERLS are a suitable investment for them. Prospective investors should be aware that there are risks associated with an investment in Commonwealth Bank PERLS, many of which are outside the control of the Bank, including the risk factors set out below and other matters referred to in the Prospectus. The risks to which the Commonwealth Bank PERLS are subject can be categorised as:

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

6.1 Risks Associated with Investing in Commonwealth Bank PERLS

Set out below are risks associated with an investment in Commonwealth Bank PERLS. In particular, these risks arise from the nature of Commonwealth Bank PERLS and their underlying Terms and Conditions.

Market Price and Liquidity

The Bank will apply for quotation of the Commonwealth Bank PERLS on the ASX, but the Bank is unable to forecast the market price and liquidity of the market for Commonwealth Bank PERLS.

The market price of Commonwealth Bank PERLS may fluctuate due to various factors, including general movements in:

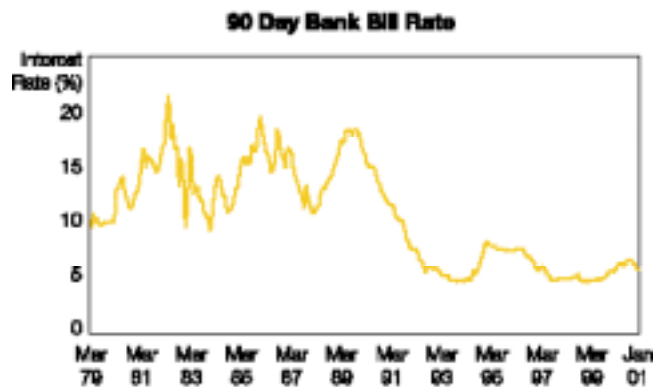
- Australian and international economic conditions, interest rates and equity markets;
- investor perceptions;
- movement in the market price of the Bank's Ordinary Shares; and
- factors which may affect the Bank's financial position and earnings.

It is possible that Commonwealth Bank PERLS may trade below the Issue Price.

The market for Commonwealth Bank PERLS may be less liquid than the market for Ordinary Shares. Holders who wish to sell their Commonwealth Bank PERLS may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for Commonwealth Bank PERLS.

Dividend Rate

The Dividend Rate payable on Commonwealth Bank PERLS is calculated each Quarter by reference to the 90 Day Bank Bill Rate, which is influenced by a number of factors and varies over time. The graph below shows movements in the 90 Day Bank Bill Rate since March 1979.



The movement in the 90 Day Bank Bill Rate in the future may be greater or less than that shown in the graph. The graph should not be taken as an indication of future movements in the 90 Day Bank Bill Rate.

The Dividend Rate payable in Commonwealth Bank PERLS will fluctuate (both increasing and decreasing) over time with movement in the 90 Day Bank Bill Rate.

To reflect changes in the market conditions, on the fifth anniversary of the Allotment Date, and on each subsequent Rollover Date, the Market Rate can be changed from the 90 Day Bank Bill Rate to a rate determined by the Bank, and the Dividend Factor can be increased or decreased (subject to APRA approval). In addition, on the tenth anniversary of the Allotment Date and on each subsequent Rollover Date, the Bank will have the right to increase or decrease the Margin applied to the Market Rate, subject to APRA approval and the conditions outlined in the Terms and Conditions of Commonwealth Bank PERLS in Appendix A.

As the Dividend Rate on Commonwealth Bank PERLS fluctuates, there is a risk that the Dividend Rate payable on Commonwealth Bank PERLS will become less attractive when compared to the rates of return available on comparable securities issued by the Bank or other entities. Investors may elect to Exchange their Commonwealth Bank PERLS on a Rollover Date in these circumstances.

Dividends

Commonwealth Bank PERLS are not a debt instrument and the Dividends payable on Commonwealth Bank PERLS are not the same as interest payments.

The payment of a Dividend on a Dividend Payment Date is subject to the Directors determining that a Dividend is payable. The Directors have an absolute discretion in determining whether or not a Dividend is payable. The payment of a Dividend is also subject to:

- the amount of the Dividends payable on the Commonwealth Bank PERLS not exceeding the Bank's Distributable Profits on the relevant Dividend Payment Date;
- the payment of the Dividend not resulting in the Total Capital Adequacy Ratio or the Tier 1 Ratio of the Bank falling below certain levels specified in the Terms and Conditions of the Offer in Appendix A; and
- APRA not objecting to the payment of the Dividend.

Distributable Profits means at any time the operating profits after income tax of the Bank for the immediately preceding Year less the aggregate amount of any dividends paid on any Preference Shares or Ordinary Shares of the Bank in the current Year.

Dividends are non-cumulative, and accordingly do not accrue if not paid. If the Bank does not have a sufficient level of Distributable Profits to pay the Dividend or if any of the conditions to payment are not satisfied, then Holders of Commonwealth Bank PERLS will not receive a Dividend.

However, if a Dividend is not paid then the Bank cannot pay a dividend to the holders of Ordinary Shares or other Preference Shares until the Bank pays Holders of Commonwealth Bank PERLS four consecutive Dividends or an Optional Dividend.

Exchange

A Holder may require the Bank to Exchange the Commonwealth Bank PERLS on a Rollover Date, the first of which occurs at the fifth anniversary of the Allotment Date, or at the next Dividend Payment Date if the Dividend is not fully franked. If a Holder delivers an Exchange Notice to the Bank, the Bank will, at its election:

- convert the Commonwealth Bank PERLS into Ordinary Shares, with the number of Ordinary Shares to be calculated by dividing the Issue Price by 97.5% of the average daily volume weighted average sale price of Ordinary Shares during the 20 Business Days prior to the Exchange Date; or
- arrange that the Commonwealth Bank PERLS be acquired at the Issue Price by a third party and that the proceeds be delivered to the Holder.

The option that the Bank elects may not coincide with the Holder's individual preference, which may be disadvantageous to them in light of market conditions or individual circumstances.

Conversion

The Bank may convert some, or all, of the Commonwealth Bank PERLS into Ordinary Shares on the fifth anniversary of the Allotment Date or on any Dividend Payment Date that occurs after the fifth anniversary of the Allotment Date.

The Holder of Commonwealth Bank PERLS may also be required to Exchange their Commonwealth Bank PERLS for Ordinary Shares if a Regulatory Event, Tax Event or Acceleration Event occurs.

The Ordinary Shares held by Holders following conversion of their Commonwealth Bank PERLS will have the same rights as other Ordinary Shares, which are different to the rights attached to Commonwealth Bank PERLS.

The number of Ordinary Shares issued on conversion will depend on a number of factors, including the price of Ordinary Shares during the 20 Business Days period to the Exchange Date.

Holders should be aware that the price of the Ordinary Shares issued on the Exchange Date may be different to the price calculated during the 20 Business Days period prior to the Exchange Date.

Consequently, Holders may be required to convert their Commonwealth Bank PERLS into Ordinary Shares at dates not previously contemplated by them, which may be disadvantageous in light of market conditions or individual circumstances.

Repurchase

Subject to APRA approval, the Bank has the right to purchase all or a portion of a Holder's Commonwealth Bank PERLS for the Issue Price on the fifth anniversary of the Allotment Date or on any Dividend Payment Date after the fifth anniversary of the Allotment Date. This right can also be exercised by the Bank where a Holder has requested an Exchange.

The Bank may also buy-back Commonwealth Bank PERLS on market, subject to APRA's approval.

In addition, Holders may be required to sell their Commonwealth Bank PERLS to the Bank at the Issue Price if a Tax Event or a Regulatory Event occurs.

Consequently, Holders may be required to sell their Commonwealth Bank PERLS to the Bank at dates not previously contemplated by them, which may be disadvantageous in light of market conditions or individual circumstances.

Franking

The Bank has paid a fully franked Dividend on its Ordinary Shares since its Ordinary Shares were listed on ASX and anticipates paying a fully franked Dividend on Commonwealth Bank PERLS. However, Dividends payable on Commonwealth Bank PERLS may or may not be fully franked.

If the Dividend is not fully franked to 100%, Holders of Commonwealth Bank PERLS will have the right to elect to Exchange their Commonwealth Bank PERLS at the next Dividend Payment Date. However, the Exchange option that the Bank elects following receipt of the Holder Exchange Notice may not coincide with the Holder's individual preference.

Ranking

Commonwealth Bank PERLS are not bank deposits or debt instruments.

The rights of Commonwealth Bank PERLS Holders to receive a return of capital on a Winding Up rank after the claims of other creditors. The claims of creditors include all deposits made with the Bank, including ordinary bank account deposits. However, the Commonwealth Bank PERLS rank in priority to Ordinary Shares and rank equally

to any other Preference Share or equal ranking debt offering for a return upon a Winding Up.

As Commonwealth Bank PERLS rank after other creditors, there is a risk that in the event of a Winding Up of the Bank there will be insufficient funds to provide a return of capital to Holders of Commonwealth Bank PERLS.

Credit Rating

There is a risk that the credit rating of the Bank and the Commonwealth Bank PERLS may change as a result of changes in the Bank's operating performance or capital structure.

Tax

A general description of the Australian taxation consequences of investing in Commonwealth Bank PERLS is set out in the letter by Greenwoods & Freehills Pty Limited to the Bank in Section 8. This discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. **Accordingly, investors should seek independent advice in relation to their individual tax position.**

The Australian Government is in the process of a major review of the business tax system. If a change is made to the system and that change increases the cost to the Bank of having Commonwealth Bank PERLS on issue, a Tax Event will have occurred, which will enable the Bank to repurchase the Commonwealth Bank PERLS for the Issue Price. Investors should refer to the Terms and Conditions of the issue set out in Appendix A for further information.

Regulatory

Various accounting bodies have been deliberating on the equity classification for instruments such as Commonwealth Bank PERLS. It remains a matter under review. There is a risk to the Bank that if instruments such as Commonwealth Bank PERLS are not treated as equity for accounting purposes then APRA will not treat Commonwealth Bank PERLS as Tier 1 Capital. The Bank has been advised by APRA that Commonwealth Bank PERLS will constitute Tier 1 Capital. However, if APRA subsequently determines that Commonwealth Bank PERLS do not constitute Tier 1 Capital, a Regulatory Event will have occurred, which will enable the Bank to repurchase the Commonwealth Bank PERLS for the Issue Price. Investors should refer to the Terms and Conditions of the issue set out in Appendix A for further information.

In addition, APRA may determine that a Dividend should not be paid or that a higher Total Capital Adequacy Ratio or Tier 1 Capital Ratio should be reached before any Dividend becomes payable.

Future Securities

The Bank is entitled to issue further Commonwealth Bank PERLS that rank equally with the Commonwealth Bank PERLS issued under this Prospectus without the approval of the Holders of Commonwealth Bank PERLS. In addition, the Bank may also issue other securities that rank for dividend or payment in a Winding Up of the Bank, equally or behind Commonwealth Bank PERLS offered under this Prospectus without the approval of the Holders of Commonwealth Bank PERLS. A holding of Commonwealth Bank PERLS does not confer any right to participate in future issues by the Bank whether of equity, debt or some other security.

In addition, other entities may issue other securities with the same or different dividend or interest rates and on the same or different Terms and Conditions as Commonwealth Bank PERLS.

No prediction can be made as to the effect, if any, such future issues of securities by the Bank or other entities may have on the market price of Commonwealth Bank PERLS.

6.2 Risks Associated with the Bank

Set out below are risks associated with the Bank. These risks will be relevant to an investment in Commonwealth Bank PERLS to the extent they affect the ability of the Bank to meet its obligations under Commonwealth Bank PERLS.

Macro Economic Risks

The Group is a major lender to Australian and overseas businesses and to individuals. The general state of the Australian and international economies will influence the level of profitability of the Group and therefore its ability to pay Dividends.

The US economy is experiencing a marked slowdown. Domestic growth is also slowing and the rate of slowdown will be influenced by conditions in the United States. Refer to Section 7.2.

Banking Industry-specific Risk

In addition to economic factors, there is a number of factors which may affect the profitability of banks in Australia, including the Bank. These include changes in:

- Government monetary policy;
- taxation policies;
- interest rates; and
- prudential regulatory requirements.

Company-specific Risks

There is a number of risk factors which arise directly from the operations of the Group as a major participant in the financial services industry and from the specific structure of the Group. These risks are categorised as credit risk, market risk, and operational risk.

- **Credit Risk.** Credit risk is the potential for loss arising from:
 - failure of a debtor or counterparty to meet their contractual obligations; and
 - failure to recover the recorded value of equity investments arising from individual transactions.
- **Market Risk.** Market risk is the risk of an adverse event in the financial markets that may result in a loss of earnings to the Group. It includes:
 - liquidity risk, which is the risk of being unable to meet financial obligations as they fall due.
 - funding risk, which is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds.
 - interest rate risk, which is the potential for a change in interest rates to have an adverse impact of the net interest earnings of the Group.
 - the risk to earnings caused by changes in foreign exchange rates and changes to equity, commodity, property and other market prices.
- **Operational Risk.** Operational risk is defined as the potential variations in the value of the Group's businesses, other than those captured in the credit and market risk definitions, comprising risks associated with:
 - strategic and business decisions;
 - processes, systems or people; and
 - external events.

Competition

There is substantial competition for the provision of financial services in the markets in which the Group operates. The effect of competitive market conditions may adversely impact on the earnings and assets of the Bank.

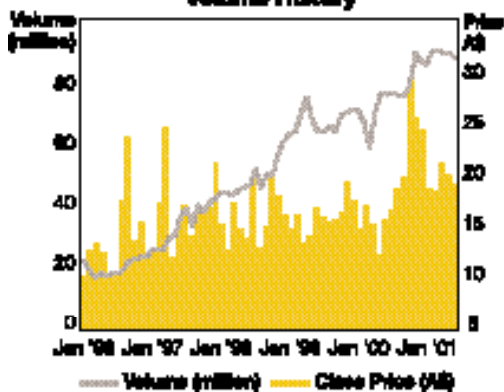
The above summary is not exhaustive and prospective investors should read this Prospectus in its entirety and consult their stockbroker, accountant or other professional adviser before deciding whether to apply for Commonwealth Bank PERLS.

7 Information About the Commonwealth Bank Group

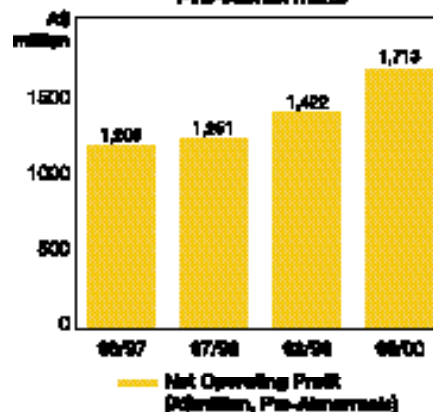
7.1 Overview

- The Group provides a wide range of banking, life insurance and funds management services primarily in Australia and New Zealand. On 13 June 2000 the Group acquired 100% of the share capital of Colonial, a life insurance, banking and funds management group. Colonial has operations in Australia, New Zealand, the United Kingdom and throughout Asia and the Pacific. Colonial is in the process of being integrated into the various divisions of the Group. At 31 December 2000, the Group had total consolidated assets of over \$223 billion and assets held and funds under management of over \$302 billion.
- The Group has Australia's largest financial services distribution network. The Group has the largest share of domestic banking assets, 20.9% at November 2000.
- The Bank is listed on the ASX and based on the closing share price of \$29.61 on 22 February 2001, had a market capitalisation of \$37,641 million. The Bank is one of the top five companies on the ASX by market capitalisation, and has historically exhibited strong and stable share price growth.
- The Group recorded a net operating profit after tax of \$1,135 million for the half-year ended 31 December 2000. This result represents an increase of 35% from the previous corresponding period.
- The Group reported a net profit from Banking of \$875 million for the half-year ended 31 December 2000 (1999: \$755 million) reflecting strong growth in interest earnings based on asset growth and strong growth in other banking income, particularly card products and trading income.
- The net profit from Life Insurance, on a "margin on services" basis of \$156 million for the half-year ended 31 December 2000 (1999: \$55 million) and Funds Management of \$78 million at 31 December 2000 (1999: \$12 million) reflects the Colonial acquisition and the strong new business growth in funds under management during the half.
- The Group has a strong financial profile, with investment grade credit ratings and retained earnings and reserves of approximately \$5.3 billion at 31 December 2000. The Bank has always paid fully franked Dividends on Ordinary Shares since its Ordinary Shares were listed on ASX.
- A fully franked interim dividend of 61 cents per Ordinary Share will be paid on 30 March 2001 to owners of Ordinary Shares at the close of business on 23 February 2001. Dividend cover is 1.4 times for the half-year ended 31 December 2000.

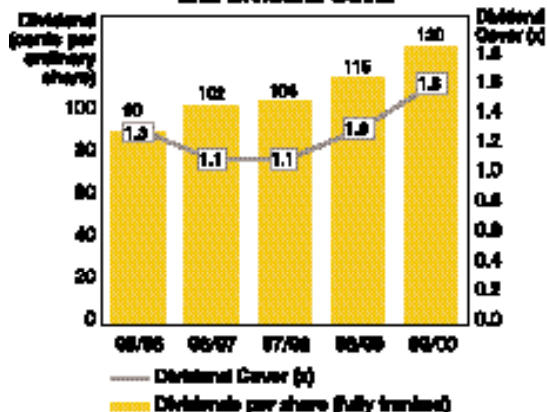
Share Price and Volume History



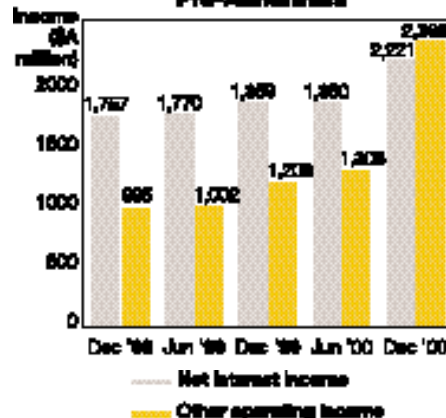
Net Operating Profit Pre-Annuals



Dividends per Share and Dividend Cover



Net Interest and Other Income Pre-Annuals



7.2 Outlook

The Bank released its half-yearly results and announced a buy-back of Ordinary Shares of up to \$700 million on 13 February 2001. The half-yearly results included the following comment on outlook.

The outlook has deteriorated with a marked slowdown in the growth of the US economy. Domestic growth is slowing and the rate of slowdown will be influenced by conditions in the United States. At this stage, a so-called "hard landing" in the United States cannot be ruled out although monetary policy responses to date by the authorities have been vigorous by historical standards.

In Australia, interest rates are anticipated to reduce but credit growth is expected to remain soft. This will mean competition for business will intensify, putting renewed pressure on margins. In the absence of flow on effects of a hard landing in the United States, credit quality should deteriorate only slightly and equity markets should be buoyed by falling interest rates, offset by lower growth of corporate earnings. Overall, Directors expect these factors to result in tougher economic conditions with the first half's lower than expected investment returns on insurance business unlikely to be recouped in the second half.

The acquisition of Colonial has provided the Group with a more diversified mix of business operations placing it in a better position given the uncertain economic outlook. Progress on the Colonial integration program is proceeding according to plan. This progress is expected to be maintained, with critical activities to be completed during the second half of the financial year.

With continued progress on the Colonial integration, the current rate of profit growth over the prior comparative period is expected to be maintained during the second half when compared to the first half. The bulk of the integration benefits will be realised in the 2001/2002 financial year and continue thereafter.

In light of the more uncertain economic outlook, the Group's prime focus in the medium term is completion of the Colonial Integration and development of the Australasian businesses. Offshore growth will be undertaken on a selective basis.

The Directors expect that the ratio of dividends per share to cash earnings will remain high relative to peer financial institutions. The Group will continue to actively manage its capital position.

7.3 Capital Management Strategy

The Bank's capital management philosophy is to generate sustainable returns to shareholders, to maintain a buffer above the regulatory minimum capital in support of risk and to distribute excess capital back to Ordinary Shareholders.

The capital management actions that the Bank announced on 13 February 2001 involve replacing some Ordinary Shares with a less expensive form of Tier 1 regulatory capital to achieve a more efficient capital structure. The new issue of Commonwealth Bank PERLS is a less expensive form of equity funding than Ordinary Shares and increases the diversity and flexibility of the Bank's capital base. Commonwealth Bank PERLS are expected to attract new investors in the Bank and will provide new and existing investors with a different instrument through which they can gain exposure to the Bank. The Bank will continue to implement a range of capital management initiatives as part of its strategy to maximise returns to all shareholders.

7.4 Proforma Financial Information

The table below sets out the Bank's Consolidated Balance Sheet as at 31 December 2000 and Consolidated Proforma Balance Sheets post the buy-back of \$700 million, and post the buy-back of \$700 million and the proposed issue of Commonwealth Bank PERLS of \$700 million.



Consolidated Balance Sheet
(A\$Millions)

	As at 31 Dec 2000	Proforma as at 31 Dec 2000 (including buy-back) ⁽¹⁾	Proforma as at 31 Dec 2000 (including buy-back and PERLS Issue) ⁽²⁾
Assets			
Cash and liquid assets	3,676	2,976 ⁽³⁾	3,663
Receivables due from other financial institutions	3,937	3,937	3,937
Trading securities	8,522	8,522	8,522
Investment securities	9,007	9,007	9,007
Loans, advances and other receivables	134,493	134,493	134,493
Bank acceptances of customers	11,615	11,615	11,615
Life insurance investment assets	28,070	28,070	28,070
Deposits with regulatory authorities	52	52	52
Property, plant and equipment	1,204	1,204	1,204
Investment in associates	421	421	421
Goodwill	6,007	6,007	6,007
Other assets	16,321	16,321	16,321
Total assets	223,325	222,625	223,312
Liabilities			
Deposits and other public borrowings	111,976	111,976	111,976
Payables due to other financial institutions	5,039	5,039	5,039
Bank acceptances	11,615	11,615	11,615
Provision for dividend	642	642	642
Income tax liability	1,559	1,559	1,559
Other provisions	1,170	1,170	1,170
Life insurance policy liabilities	26,134	26,134	26,134
Debt issues	28,377	28,377	28,377
Bills payable and other liabilities	11,804	11,804	11,804
Loan capital	5,548	5,548	5,548
Total liabilities	203,864	203,864	203,864
Net assets	19,461	18,761	19,448
Shareholders' equity			
Ordinary share capital ⁽⁴⁾	12,671	12,438	12,438
Preference share capital	—	—	687
Reserves	3,438	3,438	3,438
Retained profits ⁽⁴⁾	1,836	1,369	1,369
Shareholders' equity attributable to members of the chief entity	17,945	17,245	17,932
Outside equity interests:			
Controlled entities	131	131	131
Life insurance statutory funds	1,385	1,385	1,385
Total outside equity interests	1,516	1,516	1,516
Total shareholders' equity	19,461	18,761	19,448

⁽¹⁾ Assumes the buy-back price is \$30.00 and the number of shares bought back under the buy-back is 23,333,333.

⁽²⁾ This pro-forma balance sheet is post the proposed buy-back of \$700 million of Ordinary Shares and the issue of \$700 million of Commonwealth Bank PERLS net of associated transaction costs of \$13 million.

⁽³⁾ These assets have been reduced for illustrative purposes only. In practice, the Bank will fund the buy-back as part of its normal liquidity management activities and this may involve the reduction of other assets such as investment securities.

⁽⁴⁾ On the basis of the \$30.00 buy-back price assumed in footnote (1), \$10.00 of the buy-back price will be debited to issued share capital and the assumed balance of \$20.00 per Ordinary Share will be debited to retained profits.

The proposed buy-back of Ordinary Shares and the issue of Commonwealth Bank PERLS are expected to improve the Bank's earnings per share and return on equity over time while maintaining capital ratios. The precise effect of the buy-back on earnings per share and return on equity cannot be determined at present because the buy-back price and the number of Ordinary Shares to be bought back will not be known until after completion of the buy-back. Although the proposed issue of Commonwealth Bank PERLS and the proposed buy-back, taken together, are expected to have minimal impact on the current year's earnings per share, these actions are expected to result in an increase in earnings per share in the first year after implementation.

The table below sets out the Group's capital ratios as at 31 December 2000 on an actual and a proforma (post the buy-back and the proposed issue of Commonwealth Bank PERLS) basis. The buy-back will result in a reduction in the Group's level of Tier 1 Capital but, following the issue of Commonwealth Bank PERLS, Tier 1 Capital is expected to be at the same level as before the buy-back.

Capital Ratios

As at 31 December 2000

	As at 31/12/00	Proforma as at 31/12/00 (including buy-back) ⁽¹⁾	Proforma as at 31/12/00 (including buy-back & PERLS Issue) ⁽¹⁾⁽²⁾
Tier 1 Ratio	6.71%	6.19%	6.70%
Capital Adequacy Ratio	9.37%	8.58%	9.35%

⁽¹⁾ Assuming the buy-back occurred on 1 July 2000, a buy-back price of \$30.00 and a total buy-back of \$700 million.

⁽²⁾ Adjusted for the proposed issue of Commonwealth Bank PERLS.

The Australian Prudential Regulation Authority requires a minimum capital adequacy ratio of 8%, of which the Tier 1 Ratio must be 4%. Banks generally maintain capital adequacy ratios in excess of 8% as a buffer for contingencies and to support credit ratings. The Bank targets a minimum capital adequacy ratio of 9%. The Bank believes that following the buy-back and the proposed issue of Commonwealth Bank PERLS its capital resources will be more than sufficient to meet the risks inherent in its business.

7.5 Credit Ratings

The Bank and Commonwealth Bank PERLS have each been rated by Standard & Poor's Ratings Services, Moody's Investors Service and Fitch, Inc. As at the date of this Prospectus the ratings are as follows:

The Bank – Long Term Senior Debt Rating

Standard & Poor's Ratings Services	AA-
Moody's Investors Service	Aa3
Fitch, Inc.	AA

Commonwealth Bank PERLS – Credit Rating

Standard & Poor's Ratings Services	A-
Moody's Investors Service	"a1"
Fitch, Inc.	A+



Credit Agency Rating Systems

Standard & Poor's Ratings Services	Moody's Investors Service Rating System	Fitch, Inc. Rating System
Investment Grade	Investment Grade	Investment Grade
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-
A+	A1	A+
A	A2	A
A-	A3	A-
BBB+	Baa1	BBB+
BBB	Baa2	BBB
BBB-	Baa3	BBB-
Speculative Grade	Speculative Grade	Speculative Grade
BB+	Ba1	BB+
BB	Ba2	BB
BB-	Ba3	BB-
B+	B1	B+
B	B2	B
B-	B3	B-
CCC+	Caa1	CCC+
CCC	Caa2	CCC
CCC-	Caa3	CCC-
CC	Ca	CCC

As the table above indicates, securities rated “BBB-” or above by Standard & Poor’s Ratings Services, “Baa3” or above by Moody’s Investors Service, and “BBB-” or above by Fitch, Inc. are considered to be investment grade. Commonwealth Bank PERLS have been given an investment grade rating by Standard & Poor’s Ratings Services, Moody’s Investors Service and Fitch, Inc.

According to Standard & Poor’s Ratings Services and Fitch, Inc., a security credit rating of “A” reflects strong repayment characteristics. An issuer credit rating of “AA-” reflects very strong repayment characteristics.

According to Moody’s Investors Service Rating System a security rated “A” is considered as an upper-medium-grade obligation. Securities rated “Aa” are judged to be of high quality by all standards. Because of fundamental differences between preference shares and bonds, Moody’s Investors Service Rating System uses a variation to its usual bond rating symbols when ranking preference shares. An issue which is rated “a1” is considered to be an upper-medium-grade preference share.

These ratings are not “market” ratings, nor a recommendation by Standard & Poor’s Ratings Services, Moody’s Investors Service or Fitch, Inc. to buy, hold or sell Commonwealth Bank PERLS.

Ratings are subject to revision or withdrawal at any time.

8 Taxation Letter to the Commonwealth Bank

Greenwoods & Freshfields
Pty. Limited
A.B.N. 62 002 642 000

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15 February 2001

The Directors,
Commonwealth Bank of Australia
Level 1, 48 Martin Place
SYDNEY NSW 1155

Dear Directors,

Commonwealth Bank of Australia ("the Bank")
Preferred Exchangeable Resettable Listed Shares
("Commonwealth Bank PERLS") Australian Taxation Consequences

This letter has been prepared for inclusion in a Prospectus ("the Prospectus") for the issue of Commonwealth Bank PERLS.

The letter outlines the Australian taxation consequences for resident investors in Commonwealth Bank PERLS based on the taxation law and proposed changes to taxation law, as at the date of this letter.

The outline is general in nature and the taxation implications for particular investors may vary depending upon their own circumstances. Investors should seek independent professional advice on the taxation consequences of an investment in Commonwealth Bank PERLS.

All references in this advice to "the Act" are references to the *Income Tax Assessment Act 1936* (which operates concurrently with the *Income Tax Assessment Act 1997*), unless otherwise stated. Terms not otherwise defined take their definition in the Prospectus.

Directors

Brian R. Harris LL.B. F.C.A. Jeffrey R. Sharp B.Com. F.C.A. Malcolm H. McLennan B.Com. F.C.A. Mark Ferrer B.Bus. M.Tax F.C.A.
Paul J. King B.Sc. LL.M. C.A. Anthony J. Wilson B.Sc. LL.B. C.A. Wayne H. Carter B.Sc. C.A. Ernest Cheng B.Sc. LL.B. (Hons.) LL.M. C.A.
Simon A. Clark B.Sc. LL.M. C.A. Michael Handberg B.Sc. M.Tax C.A. Michael R. Whittinger B.Com. M.Tax C.A. James G. Fitzgibbon LL.M.
Gordon S. Cooper B.Sc. (Econ.) F.C.A. Jacinta Gray B.Com. LL.B. C.A. Bruce K. Deller B.Com. LL.B. F.C.A.

Liability limited by the Accountants' Scheme, approved under the Professional Standards Act 1994 (NSW)



Current taxation treatment of Dividends paid in respect of Commonwealth Bank PERLS

In our view, the Dividends would not be treated as debt dividends under s.46D of the Act.

The taxation legislation contains anti-avoidance provisions regarding the provision or streaming of franking credit benefits under which the Commissioner of Taxation may deny investors the benefits of franking credits that would otherwise be available in respect of franked dividends. We do not consider that such provisions should apply in respect of Commonwealth Bank PERLS.

On this basis, under current taxation law, the Dividends payable to holders of Commonwealth Bank PERLS should be frankable.

Individual or superannuation fund investors receiving franked dividends in respect of their Commonwealth Bank PERLS must include in their assessable income the amount of the Dividend and attached franking credit but will generally receive a tax credit equal to the amount of the franking credits which may be used to reduce their tax liability on the dividend and other income.

Individual and superannuation fund investors may be entitled to a refund of franking credits to the extent the franking credits attached to their Commonwealth Bank PERLS Dividends exceed the income tax that would have been payable by the taxpayer, but for obtaining the franking credits.

A company investor should be entitled to a rebate of tax by way of inter-corporate dividend rebate, to the extent that the Dividends are franked.

The availability of franking credits and the inter-corporate dividend rebate is subject to a holding period rule which broadly requires that the investor hold at risk Commonwealth Bank PERLS for a period of 90 days (excluding the dates of acquisition and disposal). Individuals and superannuation funds may apply simplified versions of the holding period rule.



The Government has announced by press release dated 11 November 1999 that it intended to review the holding period rule with a view to reducing it.

In the event the Dividends are unfranked, or are only partly franked, the unfranked component is included in the investor's assessable income and taxed at the holder's marginal rate of tax with no rebate available.

Quotation of Tax File Numbers

Investors in Commonwealth Bank PERLS will be able to quote their Tax File Number ("TFN") or claim an exemption from doing so. Although disclosure of their TFN is not compulsory, investors should be aware that, unless they are exempt from the TFN provisions, failure to disclose their TFN may result in an amount of tax being deducted from the unfranked part of dividends at the top marginal rate (plus Medicare levy).

Alternatively, where the investor holds Commonwealth Bank PERLS in the course or furtherance of an enterprise carried on by it, the investor may quote its ABN.

Taxation treatment of disposal of Commonwealth Bank PERLS

In our view, no part of any proceeds received by an investor upon the redemption, buy-back or reduction of capital would be regarded as a dividend where all of the proceeds are debited against the credit balance of the Bank's share capital account.

If the investor's Commonwealth Bank PERLS are sold to a third party or purchased by the Bank by way of redemption, buy-back or reduction of capital, a CGT Event will arise for the investor.

A capital gain will arise equal to the difference between the capital proceeds the investor receives for the disposal of Commonwealth Bank PERLS and the cost base of Commonwealth Bank PERLS where the capital proceeds exceed the cost base. The cost base of the shares will equal the sum of the shareholder's acquisition costs and any incidental costs of acquisition and disposal (e.g. brokerage) that are not deductible to the shareholder.



Individuals, complying superannuation entities or trustees that have held Commonwealth Bank PERLS for at least 12 months prior to disposal, will be entitled to discount the amount of the capital gain (after application of capital losses) arising from the disposal of Commonwealth Bank PERLS by 50% in the case of individuals and trusts or by 33.33% for complying superannuation entities. Trustees should seek specific advice regarding the tax consequences of distributions attributable to discounted capital gains.

Where shareholders hold their Commonwealth Bank PERLS as trading stock the capital gains tax provisions will not apply. Any profit or loss arising from the sale of the shares will be brought to account in the shareholder's taxable income for the year in which the sale takes place, in conjunction with the operation of the trading stock provisions.

A profit on sale of Commonwealth Bank PERLS held as an investment rather than as trading stock, may be taxed as ordinary income rather than as a capital gain where Commonwealth Bank PERLS are held as part of a profit-making undertaking or scheme. Any capital gain will be reduced by the amount of the gain arising on disposal of Commonwealth Bank PERLS that is included in assessable income as ordinary income.

Current taxation treatment of conversion of Commonwealth Bank PERLS to Commonwealth Bank Ordinary Shares

If the Bank elects or is required to convert the Commonwealth Bank PERLS to Commonwealth Bank Ordinary Shares, the Bank will vary the status of, and the rights attaching to, Commonwealth Bank PERLS so that it becomes an Ordinary Share. The process will not constitute a cancellation, redemption or termination of Commonwealth Bank PERLS, or the issue, allotment or creation of a new Ordinary Share (other than the additional Commonwealth Bank Ordinary Shares discussed below).

In such a case, we consider that, the conversion would not trigger a CGT Event or give rise to a disposal for tax purposes in respect of Commonwealth Bank PERLS.

Each investor may also be issued with additional Commonwealth Bank Ordinary Shares.



For purposes of calculating the CGT cost base of the Ordinary Shares for capital gains tax purposes or the cost of the Ordinary Shares held on revenue account, the cost of the original Commonwealth Bank PERLS will be apportioned between the Commonwealth Bank Ordinary Share into which Commonwealth Bank PERLS is converted and the additional Commonwealth Bank Ordinary Shares issued to the investor under the conversion process. For capital gains tax purposes, the additional Commonwealth Bank Ordinary Shares issued to the investor will be treated as having been acquired by the investor at the time that the investor acquired Commonwealth Bank PERLS in respect of which the additional Ordinary Shares were allotted.

On a subsequent disposal of the Ordinary Shares, individuals, complying superannuation entities or trustees will be entitled to discount the amount of the capital gain (after application of capital losses) arising from the disposal of the Ordinary Shares by 50% in the case of individuals and trusts or by 33.33% for complying superannuation entities if the disposal occurs at least 12 months after the date of acquisition of Commonwealth Bank PERLS.

Business Tax Reform

The Government announced its "in principle" acceptance of certain recommendations of the *Ralph Review of Business Taxation* which, if enacted, may impact on Commonwealth Bank PERLS.

Taxation treatment of Commonwealth Bank PERLS – Equity or debt

The Report of the *Ralph Review of Business Taxation* recommended that the test of whether an interest is debt or equity for tax purposes should have regard to commercial substance and not merely the legal form. In general, this proposal could result in certain instruments that are equity in legal form being treated for taxation purposes as debt interests where the economic substance of those instruments more closely resembles debt than equity.

The Government originally intended that changes to the law would take effect from 1 July 2001. At this stage no draft legislation has been released giving effect to this proposal and it is not clear whether any amendment to the distinction between debt and equity would adopt the recommendation or take a different approach.



Furthermore, there has been no indication whether any amendments to the distinction between debt and equity would apply to instruments issued before the date the new law takes effect.

If the law is amended such that it impacts on Commonwealth Bank PERLS, it will be necessary to ascertain whether Commonwealth Bank PERLS are reclassified as debt for taxation purposes under the new law. However, it will not be possible to ascertain whether Commonwealth Bank PERLS would be classified as debt or equity until such time as legislation relating to this proposal is released.

If Commonwealth Bank PERLS were to be classified as a debt security, dividends paid in respect of Commonwealth Bank PERLS would effectively be treated for tax purposes as if they were interest. Consequently, the Dividends would not be capable of being franked and no tax rebate would be available for investors. In these circumstances, the Investor can elect to Exchange their Commonwealth Bank PERLS in accordance with the mechanisms outlined in the Prospectus. The tax consequences arising from an Exchange are set out above.

Dividends received by company investors

The Exposure Draft of the New Business Tax System (Entity Taxation) Bill 2000 ("the Exposure Draft") contains a proposal that from 1 July 2001 companies receiving franked dividends will be required to include the dividend and franking credit in their assessable income and claim a franking credit to offset tax payable on the Dividend, in the same way as the law currently applies to resident individuals and superannuation funds.

Treatment of additional shares issued on conversion of Commonwealth Bank PERLS

The Report of the *Ralph Review of Business Taxation* recommended adoption of a comprehensive definition of company "distributions" (i.e. dividends) which would capture all transfers of value. There is a risk that such an expanded definition could have the effect of treating the allotment of further Ordinary Shares, as part of the conversion process, as wholly or partly a dividend.

Greenwoods & Freehills
Pty Limited

Originally it was intended it would be implemented from 1 July 2001. However, at this stage, draft legislation amending the current definition of dividend has not been released. In particular, the Exposure Draft did not propose to amend the current definition of dividend.

GST

Investors should not be liable to GST in respect of their investment in Commonwealth Bank PERLS or the conversion of Commonwealth Bank PERLS to Commonwealth Bank Ordinary Shares.

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

Yours faithfully
Greenwoods & Freehills Pty Limited



per: Mark Ferrier
Director

9.1 Terms and Conditions of the Issue

The rights attaching to the Commonwealth Bank PERLS will be governed by:

- the Bank's Constitution, in particular Article 3.2, which deals expressly with Preference Shares; and
- the Terms and Conditions of the Commonwealth Bank PERLS set out in Appendix A.

The rights attaching to the Bank's Ordinary Shares, into which Commonwealth Bank PERLS may be exchanged in certain circumstances, are set out in the Bank's Constitution.

9.2 Restrictions on Ownership

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

9.3 Availability of Documents

The Bank is a disclosing entity for the purposes of section 111AC(1) of the Corporations Law and is therefore subject to regular reporting and disclosure obligations under the Corporations Law and ASX Listing Rules. These obligations require the ASX to be continuously notified of information about specific events and matters as they arise for the purpose of the ASX making the information available to the stock market conducted by the ASX. In particular, the Bank has an obligation under ASX Listing Rules (subject to certain limited exceptions) to notify the ASX immediately of any information concerning the Bank of which it becomes aware which a reasonable person would expect to have a material effect on the price or value of its shares. It is also required to prepare and lodge with ASIC both yearly and half-yearly financial statements accompanied by a Director's statement and report, and an audit or review report.

The Bank will provide a copy of any of the following documents free of charge to any person who requests a copy during the Application period in relation to this Prospectus:

- the financial statements of the Bank for the year ended 30 June 2000 (being the most recent annual financial report lodged with ASIC before the lodgement of this Prospectus) and the profit announcement for half-year ended 31 December 2000;
- any other document or financial statement lodged by the Bank with ASIC or the ASX under the continuous disclosure reporting requirements in the period after the lodgement of the annual financial report and before lodgement of this Prospectus with ASIC;
- the Bank's Constitution;
- the Buy-Back Booklet relating to a proposed buy-back of up to \$700 million worth of Ordinary Shares to be lodged with ASIC on or about the date of this Prospectus.

Copies of the documents lodged with ASIC in relation to the Bank may also be obtained from, or inspected at, an office of ASIC.

9.4 Residents of the United States

The Offer of Commonwealth Bank PERLS has not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"). Therefore, Commonwealth Bank PERLS may not be offered or sold, directly or indirectly, within the United States. Accordingly, the Offer is not being made in the United States or to holders of Ordinary Shares with registered addresses in the United States and neither the Prospectus nor the Application Form will be sent to the United States or to persons with registered addresses in the United States.

Envelopes containing Application Forms should not be postmarked or otherwise dispatched from the United States and all persons subscribing for Commonwealth Bank PERLS must provide addresses within Australia for the return of holding statements for Commonwealth Bank PERLS. The Bank reserves the right to treat as invalid any Application Form (i) postmarked in or which otherwise appears to have been dispatched from the United States, (ii) that provides an address in the United States for delivery of holding statements for Commonwealth Bank PERLS or (iii) which does not make the representation and warranty set out in the Application Form that the person

acquiring the Commonwealth Bank PERLS is not in the United States and is not acting for the account or benefit of a person within the United States, unless the accepting person is so acting as an authorised employee of such other person or with investment discretion with respect to an account of such other person. Any person who is unable to make the representation and warranty set out in the Application Form is not entitled to acquire Commonwealth Bank PERLS pursuant to this Prospectus.

Until 40 days after the commencement of the Offer, an offer or sale of Commonwealth Bank PERLS within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act.

For the purposes of this Prospectus and the Application Form, "United States" means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

9.5 Consents

None of the parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement made in the Prospectus is based, other than as specified below. Each of these parties, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this Prospectus, other than the reference to its name and a statement or report included in this Prospectus with the consent of that party as specified below.

- Salomon Smith Barney Australia Securities Pty Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.
- Commonwealth Securities Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.
- Credit Suisse First Boston Australia Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

- UBS Warburg Australia Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.
- Greenwoods & Freehills Pty Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion in this Prospectus of its Taxation Letter to the Bank in the form and context in which it is included and to be named in this Prospectus in the form and context in which it is named.
- ASX Perpetual Registrars Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.
- Ernst & Young has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

Standard & Poor's Ratings Services, Moody's Investors Service and Fitch, Inc. have not given their written consent for their names or their ratings to be included in this Prospectus in the form and context in which they appear and accordingly these rating agencies are not liable for their ratings under section 729 of the Corporations Law. However, ASIC has granted a modification to section 716(2) of the Corporations Law to allow the Company to name them in the Prospectus and for their respective public ratings of the Bank's Long Term Senior Debt and the Commonwealth Bank PERLS to be included in Section 7 without obtaining their written consent.

9.6 Interests of Advisers

Salomon Smith Barney Australia Securities Pty Limited has acted as Arranger, Bookrunner and Joint Lead Manager for the Offer, in respect of which it is entitled to receive the fees and commissions described in Section 9.11.

Commonwealth Securities Limited has acted as Joint Lead Manager for the Offer, in respect of which it is entitled to receive the fees and commissions described in Section 9.11.

Credit Suisse First Boston Australia Limited and UBS Warburg Australia Limited have acted as Co-Managers for the Offer, in respect of which each is entitled to receive the fees and commissions described in Section 9.11.

Greenwoods & Freehills Pty Limited has acted as tax advisor. Greenwoods & Freehills Pty Limited has prepared the Taxation Letter to the Bank.

ASX Perpetual Registrars Limited has performed work in its capacity as the Bank's share registry in relation with the Offer.

Ernst & Young has acted as accounting advisor.

Except as set out above, 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; or
- Lead Manager or Co-Manager to this Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, and interest in:

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

nor has anyone paid or agreed to pay or given or agreed to give any benefit to such persons in connection with the formation or promotion of the Bank or the Offer.

9.7 Directors' Interests

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

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

No one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit, to any Director or proposed Director:

- to induce a person to become, or qualify as, a Director; or
- for services provided by a Director or proposed Director in connection with the formation or promotion of the Bank or the Offer.

9.8 Capital Adequacy

As at the date of this Prospectus, Commonwealth Bank PERLS constitute Tier 1 Capital of the Group for the purposes of the capital adequacy guidelines of APRA.

9.9 ASIC Relief

ASIC has granted the Bank a modification of section 716(2) of the Corporations Law to allow the Bank to name ratings agencies in this Prospectus and for their ratings of Bank long-term debt and the Commonwealth Bank PERLS to be included in Section 7 without obtaining the written consent of the ratings agencies.

9.10 ASX Relief

The ASX has granted the Bank the following waivers:

- Listing Rule 7.1.4 has been waived so that the deemed rate of conversion of the Commonwealth Bank PERLS (for the purposes of determining whether the issue of Commonwealth Bank PERLS under this Offer will exceed 15% of capital) will be calculated using the market price of Ordinary Shares as at the time the Bank announced its intention to issue the Commonwealth Bank PERLS. The effect of this waiver is that the issue of Commonwealth Bank PERLS will not require shareholder approval under Listing Rule 7.1.
- Listing Rule 7.40 has been waived with the effect that hard copies of this Prospectus may be dispatched to shareholders three Business Days prior to the opening of the Offer, rather than the ten Business Days prescribed in Appendix 7A of the Listing Rules. This waiver has been granted on conditions including that this Prospectus is posted on the Bank's website at least ten Business Days prior to the opening of the Offer.
- The ASX has exercised its discretion under the Listing Rules to allow deferred settlement trading as described in Section 3 provided that:
 - (a) at least four hours prior to the commencement of trading on a deferred settlement basis, the following information is provided to the market:
 - (i) the basis of Allocation and procedure for determining precise Allocations;
 - (ii) the number of Commonwealth Bank PERLS issued;
 - (iii) the date for allotting Commonwealth Bank PERLS and the date set by the ASX for the dispatch of holding statements;
 - (iv) an indicative statement setting out the names of the 20 largest holders in each class of security issued by the Bank and the number and percentage of each class held by those holders; and
 - (v) an indicative distribution schedule;

- (b) provision of certain undertakings by the Bank to the ASX; and
- (c) evidence that the Bank has made arrangements to the satisfaction of the ASX to facilitate an orderly market in Commonwealth Bank PERLS, including:
 - (i) advertisement of the final price and the basis of Allocation to appear in specified Australian newspapers; and
 - (ii) the provision of a toll free 1-800 information line.

9.11 Fees

The Bank will pay the Arranger an arranger fee of 0.5% of the total proceeds received pursuant to the Offer.

The Bank will pay:

- the Arranger a management fee of 0.5% of the total proceeds sold to retail investors; and
- the Joint Lead Managers a selling fee of 1.5% of the total proceeds sold to retail investors who are not Shareholders.

The Bank will pay a total management/selling fee of 1.25% of the total proceeds sold to institutional investors to the Joint Lead Managers and the Co-Managers.

9.12 Expenses

The total expenses of the Offer (excluding fees as described above under the heading Fees) including legal, accounting, share registry, listing, printing, advertising and other expenses, are estimated to be approximately \$3 million.

9.13 Consents to Lodgement

Every director of the Bank has given, and not withdrawn, his or her consent to the lodgement of this Prospectus with ASIC.

This Prospectus was signed by DV Murray, Managing Director of the Commonwealth Bank of Australia.

1 Issue of Commonwealth Bank PERLS

On and subject to these Terms and Conditions and the Constitution each Commonwealth Bank PERLS will be issued in consideration of the payment of the Issue Price. Commonwealth Bank PERLS are perpetual non-cumulative preference shares. Commonwealth Bank PERLS are subordinated to all depositors and creditors of the Issuer without any rights of set-off.

2 Dividends

2.1 A Holder on the relevant Record Date is entitled to receive on each relevant Dividend Payment Date, if determined by the Directors to be payable, a Dividend. The Dividend shall be calculated in accordance with the following formula:

$$\text{Dividend} = \frac{\text{Dividend Rate} \times \text{Issue Price} \times \text{D}}{365}$$

where:

D is, in respect of the first Dividend payment, the number of days from (and including) the Issue Date to (but excluding) the Dividend Payment Date, and thereafter, the number of days from (and including) the preceding Dividend Payment Date to (but excluding) the next Dividend Payment Date.

Dividend Rate means (expressed as a percentage per annum):

- (a) in respect of the Quarter ending on 6 July 2001, 5.6066%; and
- (b) in respect of any subsequent Quarter or other period specified by the Directors, the sum of the Market Rate and the Margin, multiplied by the Dividend Factor.

Dividend Factor is a number which reflects the expectation that the Dividend will be fully franked, and for the Initial Period is 0.7568, and for any Further Period, is the number advised by the Directors in accordance with clause 2.11(b).

Example:

the Dividend for the first Quarter of \$2.7956 per Commonwealth Bank PERLS has been calculated as follows:

Market Rate	5.5583% p.a.
Margin	1.8500% p.a.
Sum of Market Rate and Margin	7.4083% p.a.
Multiplied by Dividend Factor	0.7568
Dividend Rate for first Quarter	5.6066% p.a.
Multiplied by the Issue Price	\$200.00
Annualised Dividend per PERLS	\$11.2132
Dividend for first Quarter (91/365)	\$2.7956

- 2.2 Subject to this clause 2, Dividends will be payable in arrears on each Dividend Payment Date.
- 2.3 The Holders entitled to be paid a Dividend will be those Holders as at 5:00pm (Sydney time) on the relevant Record Date.
- 2.4 All calculations of Dividends will be rounded to four decimal places. For the purposes of making payment to any person, any fraction of a cent will be disregarded.
- 2.5 The determination that a Dividend is payable is subject to the following:
 - (a) the Directors, at their discretion, declaring that a Dividend is payable;
 - (b) the amount of the Dividend payable on Commonwealth Bank PERLS not exceeding the Distributable Profits on the relevant Dividend Payment Date;
 - (c) such payment not resulting in the Total Capital Adequacy Ratio or the Tier 1 Capital Ratio of the Issuer (either as reported quarterly by the Issuer to APRA or as determined at any time by APRA in its absolute discretion) falling below 8% or 5% respectively (or such other percentage as may be prescribed by APRA for the Issuer at that time); and
 - (d) APRA not objecting to such a payment.
- 2.6 Dividends are non-cumulative. If by reason of clause 2.5, a Dividend is not paid, Holders have no right to be paid any amount in respect of that Dividend. However, the Directors may determine, at their discretion, to declare an Optional Dividend, subject to APRA approval.
- 2.7 If a Dividend will have a Franking Percentage of less than 100% for any Quarter, the Issuer must advise Holders in writing at least 50 Business Days prior to the Dividend Payment Date for that Dividend.

- 2.8 The Issuer will be entitled to deduct from any Dividend payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by the Issuer to the appropriate authority and the balance of the amount payable has been paid to the Holder concerned, then the full amount payable to such Holder shall be deemed to have been duly paid and satisfied by the Issuer. The Issuer shall pay the full amount required to be 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 the Issuer.
- 2.9 If the Issuer fails to pay a Dividend (other than an Optional Dividend) within a period of 20 Business Days after a relevant Dividend Payment Date, the Issuer may not, without the approval of a Special Resolution of Commonwealth Bank Holders, thereafter pay any dividends on or return any capital on any Preference Shares (other than in respect of Commonwealth Bank PERLS) or Ordinary Shares unless and until the Issuer has either paid:
- four consecutive Dividends on Commonwealth Bank PERLS; or
 - an Optional Dividend to the Holders.
- 2.10 The Issuer may not pay an Optional Dividend to the Holders if:
- the Directors, at their discretion, do not declare that an Optional Dividend is payable; or
 - the total amount of the Optional Dividend would exceed the Issuer's Distributable Profits on the date of payment; or
 - the payment would result in the Total Capital Adequacy Ratio or Tier 1 Capital Ratio of the Issuer (either as reported quarterly by the Issuer to APRA or as determined at any time by APRA in its absolute discretion) falling below 8% or 5% respectively (or, in each case, such other percentage as may be prescribed by APRA for the Issuer at the time); or
 - APRA has objected to the payment.
- 2.11 The Issuer will, on the Dividend Reset Notice Date, give notice to the Holders of:
- the date of the next Rollover Date to follow the Current Rollover Date which must be at least 12 months from the Current Rollover Date;
 - the Dividend Rate (including the Market Rate, Margin and Dividend Factor) to apply to the Further Period commencing on the Current Rollover Date; and
 - the frequency of the Dividend Payment Dates.
- 2.12 The Dividend Factor referred to in clause 2.11(b), can only be varied from 0.7568 with the approval of APRA and cannot be a number greater than 1.
- 2.13 The Margin referred to in clause 2.11(b) shall be determined in accordance with clauses 2.14 to 2.17.
- 2.14 Where a Current Rollover Date occurs on a day prior to the tenth anniversary of the Issue Date, the Issuer cannot, in respect of that Current Rollover Date, increase or decrease the Margin from the Initial Margin.
- 2.15 Where the Current Rollover Date occurs on or after the tenth anniversary of the Issue Date, any increase or decrease in the Margin by the Issuer must be calculated in accordance with the following formula:
- $$\text{New Margin} = \frac{\text{Initial Margin} \times \text{FR}}{\text{FI}}$$
- where:
- FR** is the fair market value yield curve on Bloomberg Page FMCS for AA rated five year AUD securities on the Dividend Reset Notice Date.
- FI** is the fair market value yield curve on Bloomberg Page FMCS for AA rated five year AUD securities on the Issue Date.
- If either:
- the FMCS page on Bloomberg is not in existence on a particular Dividend Reset Notice Date or insufficient securities are available to determine a representative fair market value curve spread for five year AUD securities (being less than five securities); or
 - a Further Period has a term other than five years; the Issuer is required to determine an alternative reference index, which is subject to APRA approval.

- 2.16 Any increase or decrease in the Margin referred to in clause 2.15 is subject to the following limitations:
- (a) any change in the Margin from the Margin immediately preceding the change shall be limited to 100 basis points; and
 - (b) the cumulative increase or decrease in the Margin from the Initial Margin shall be limited to 100 basis points.
- 2.17 If:
- (a) the Issuer does not give a Dividend Reset Notice in accordance with clause 2.11; or
 - (b) the Issuer's senior credit rating as determined by Standard & Poor's Ratings Services, Moody's Investors Service and Fitch, Inc. is lower, in at least two cases, than the equivalent credit rating at the Issue Date; or
 - (c) the Issuer does not meet the requirements of any other similar credit test applied to it by APRA where APRA advises the Issuer that the terms of this clause must apply,
- then, despite anything else contained in these Conditions:
- (d) the following Further Period shall have the same term as the Initial Period or the preceding Further Period (as applicable); and
 - (e) the Margin to apply to the Further Period commencing on the Current Rollover Date shall be the Initial Margin or the preceding Margin applying to the preceding Further Period (as applicable).
- 2.18 The Issuer's senior credit rating at the Issue Date is as follows:
- | | |
|--|-----|
| (a) Standard & Poor's Ratings Services | AA- |
| (b) Moody's Investors Service | Aa3 |
| (c) Fitch, Inc. | AA |
- 2.19 For the purposes of clause 2.17 if Standard & Poor's Ratings Services, Moody's Investors Service or Fitch, Inc. cease to exist, the Issuer may, subject to APRA approval, select an alternative rating agency.

3 Voting

- 3.1 The Holders will be entitled to receive notice of any general meeting of the Issuer and a copy of every circular or other like document sent out by the Issuer to Ordinary Shareholders and to attend any general meeting of the Issuer.

- 3.2 The Holders will not be entitled to vote at a general meeting of the Issuer except in the following circumstances:
- (a) if at the time of the meeting, a Dividend has been declared but has not been paid in full by the relevant Dividend Payment Date;
 - (b) on a proposal to reduce the Issuer's share capital;
 - (c) on a resolution to approve the terms of a buy-back agreement;
 - (d) on a proposal that affects rights attached to Commonwealth Bank PERLS (refer clause 10);
 - (e) on a proposal to Wind Up the Issuer;
 - (f) on a proposal for the disposal of the whole of the Issuer's property, business and undertaking;
 - (g) during the Winding Up of the Issuer; or
 - (h) as otherwise required under the Listing Rules from time to time,
- in which case the Holders will have the same rights as to manner of attendance and as to voting in respect of each Commonwealth Bank PERLS as those conferred on Ordinary Shareholders in respect of each Ordinary Share.
- 3.3 At a general meeting of the Issuer, Holders are entitled:
- (a) on a show of hands, to exercise one vote when entitled to vote in respect of the matters listed in clause 3.2 above; and
 - (b) on a poll, to one vote for each Commonwealth Bank PERLS.

4 Exchange

Method of Exchange

- 4.1 Exchange of any Commonwealth Bank PERLS will:
- (a) take effect on the Exchange Date; and
 - (b) in the case of a conversion of a Commonwealth Bank PERLS as contemplated by clause 4.3(a), clause 4.8 or clause 4.11:
 - (i) constitute the variation of the status of, and the rights attaching to, a Commonwealth Bank PERLS so that it becomes an Ordinary Share; and
 - (ii) not constitute a cancellation, redemption or termination of a Commonwealth Bank PERLS or the issue, allotment or creation of a new share (other than the additional Ordinary Shares allotted under clause 4.4).

Holder Exchange

- 4.2 Holders may:
- (a) at least 35 Business Days prior to a Current Rollover Date deliver an Exchange Notice to the Issuer; or
 - (b) where the Issuer has advised a Dividend will have a Franking Percentage of less than 100% pursuant to clause 2.7, deliver an Exchange Notice to the Issuer at least 30 Business Days prior to a Dividend Payment Date, and thereafter must not deal with, transfer, dispose of or otherwise encumber Commonwealth Bank PERLS which are the subject of the Exchange Notice.

Holders who do not deliver an Exchange Notice to the Issuer by the relevant time are deemed to have accepted the new terms offered by the Issuer.

- 4.3 On receipt of an Exchange Notice from a Holder, the Issuer must, at its option, do one of the following in relation to Commonwealth Bank PERLS which are the subject of the Exchange Notice:
- (a) convert, if permitted, by the relevant Exchange Date, all of those Commonwealth Bank PERLS into Ordinary Shares, calculated in accordance with clause 4.4; or
 - (b) exchange all of those Commonwealth Bank PERLS by procuring that those Commonwealth Bank PERLS are acquired by a third party for their Issue Price on the terms specified in the Exchange Notice and that the proceeds are delivered to the Holder on the relevant Exchange Date.

At least 21 Business Days prior to the relevant Exchange Date the Issuer will give notice to Holders who have lodged Exchange Notices with the Issuer of which mechanism of Exchange referred to in this clause 4.3 (if any) it has chosen. If the Issuer does not give a notice to Holders in accordance with this clause, then clause 4.3(a) will apply.

Conversion and Additional Ordinary Shares

- 4.4 If the Issuer chooses the mechanism of Exchange described in clause 4.3(a) above, or the Issuer elects to convert some or all of a Holder's Commonwealth Bank PERLS in accordance with clause 4.8, or an Acceleration Event occurs in accordance with clause 4.11, each Commonwealth Bank PERLS in respect of which an Exchange Notice has been given will on the relevant Exchange Date be converted into

and have the same rights as one Ordinary Share and the Holder will be allotted on that date an additional number of Ordinary Shares for each Commonwealth Bank PERLS determined in accordance with the following formula (provided that where the total number of additional Ordinary Shares to be allotted to a Holder in respect of the total number of Commonwealth Bank PERLS being converted includes fractions, that fraction will be disregarded):

$$AS = (CR-1)$$

where:

- AS** (additional shares) means a number of additional Ordinary Shares which is equal to or greater than zero;
- CR** (conversion ratio) means a number calculated by dividing the Issue Price by $[(100\% - 2.5\%) \times VWAP]$, subject to CR being no less than 1.

Adjustments to VWAP

- 4.5 For the purposes of calculating VWAP in clause 4.4:
- (a) where, on some or all of the Business Days in the Reference Period, Ordinary Shares have been quoted on ASX as *cum* dividend or *cum* any other distribution or entitlement and Commonwealth Bank PERLS will convert into Ordinary Shares after the date those Ordinary Shares no longer carry that entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted *cum* dividend or *cum* entitlement shall be reduced by an amount (Cum Value) equal to:
 - (i) (in the case of a dividend or other cash distribution), the amount of that dividend or cash distribution including, if the dividend is franked, the amount that would be included in the assessable income of a recipient of the dividend or distribution who is a natural person under the Tax Act;
 - (ii) (in the case of an entitlement which is traded on ASX on any of those Business Days), the volume weighted average price of all such entitlements sold on ASX during the Reference Period on the Business Days on which those entitlements were traded; or
 - (iii) (in the case of an entitlement not traded on ASX during the Reference Period or a non-cash distribution), the value of the entitlement or non-cash distribution as reasonably determined by the Directors; and

(b) where, on some or all of the Business Days in the Reference Period, Ordinary Shares have been quoted *ex dividend*, *ex distribution* or *ex entitlement*, and Commonwealth Bank PERLS will convert into 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*, *ex distribution* or *ex entitlement* shall be increased by the Cum Value.

Adjustment for Capital Reconstruction

4.6 Where the Ordinary Shares are reconstructed, consolidated, divided or reclassified (other than by way of a bonus issue, which is dealt with under clause 4.5 above), into a lesser or greater number of securities, during a Reference Period the VWAP shall be adjusted by the Directors as they consider appropriate. Any adjustment made by the Directors will constitute an alteration to these Conditions and will be binding on all Holders and these Conditions will be construed accordingly. Any such adjustment will promptly be notified to all Holders.

Issuer Exchange

4.7 Subject to this clause and the approval of APRA, the Issuer may, if otherwise permitted:

- (a) at least 21 Business Days prior to any Dividend Payment Date which occurs on or after the First Rollover Date; or
- (b) at any time on the occurrence of a Regulatory Event or a Tax Event, purchase all or a portion (on a pro rata basis) of a Holder's Commonwealth Bank PERLS for the Issue Price by way of a redemption, buy-back or reduction of capital (in the sole discretion of the Issuer), by serving an Issuer Exchange Notice on the Holder in which event settlement will occur on the next Dividend Payment Date.

4.8 Subject to this clause and the approval of APRA, the Issuer may, if otherwise permitted:

- (a) at least 21 Business Days (but no more than six months) prior to the First Rollover Date; or
- (b) at least 21 Business Days prior to any Dividend Payment Date which occurs after the First Rollover Date; or
- (c) at any time on the occurrence of a Regulatory Event or a Tax Event, convert some (on a pro rata basis) or all of a Holder's Commonwealth Bank PERLS by serving an Issuer Exchange Notice on the Holder in which event conversion will occur on the Exchange Date.

4.9 Where, under clause 4.8, the Issuer elects to convert some or all of Holder's Commonwealth Bank PERLS, the number of Ordinary Shares to be issued upon conversion will be calculated in accordance with clause 4.4.

4.10 The Issuer will not be restricted from serving an Issuer Exchange Notice on a Holder where the Holder has delivered an Exchange Notice to the Issuer under clause 4.2. In these circumstances, the Issuer Exchange Notice prevails over any outstanding Holder Exchange Notice.

Exchange in the Event of an Acceleration Event

4.11 The Issuer will notify the Holders of the occurrence of an Acceleration Event in accordance with the Constitution as soon as practicable after becoming aware of the applicable event. Following an Acceleration Event there will be a mandatory conversion of all the Commonwealth Bank PERLS into Ordinary Shares pursuant to the conversion formula set out in clause 4.4 on the relevant Exchange Date.

Exchange Notices

4.12 An Exchange Notice, once given, is irrevocable except as set out in clause 4.10.

4.13 A Holder Exchange Notice must be given by the registered owner of Commonwealth Bank PERLS.

Participation in New Issues

4.14 Prior to Exchange of Commonwealth Bank PERLS in accordance with clause 4.3(a), a Commonwealth Bank PERLS will confer no rights on its Holder to subscribe for new securities of the Issuer or to participate in any bonus issues of the Issuer.

5 Entitlement to Capital and Ranking

5.1 Commonwealth Bank PERLS rank equally amongst themselves in all respects.

5.2 Prior to Exchange, Commonwealth Bank PERLS rank in priority to Ordinary Shares for the payment of Dividends.

- 5.3 Prior to Exchange, if there is a return of capital on a Winding Up, Holders will be entitled to receive out of the assets of the Issuer available for distribution to holders of shares in the capital of the Issuer, in respect of each Commonwealth Bank PERLS held, a sum equal to the Issue Price before any return of capital is made to Ordinary Shareholders or any other class of shares ranking behind Commonwealth Bank PERLS.
- 5.4 If, upon such return of capital, there are insufficient funds to pay in full the amounts referred to in clause 5.3 and the amounts payable in respect of any other shares in the Issuer ranking as to such distribution equally with Commonwealth Bank PERLS on a Winding Up, then the holders of Commonwealth Bank PERLS and the holders of any such other shares will share in any distribution of assets of the Issuer in proportion to the amounts to which they respectively are entitled.
- 5.5 Commonwealth Bank PERLS do not confer on their Holders any further right to participate in the surplus assets or profits of the Issuer on a Winding Up.
- 5.6 The Ordinary Shares arising upon Exchange of Commonwealth Bank PERLS shall from the Exchange Date rank *pari passu* in all respects with all other Ordinary Shares then on issue.
- 5.7 The issue of any other Preference Shares, which rank in priority to Commonwealth Bank PERLS in respect of dividends or distributions of capital in a Winding Up constitutes a variation of the rights attaching to Commonwealth Bank PERLS (refer clause 10).
- 5.8 The Issuer reserves the right to issue further Commonwealth Bank PERLS or other Preference Shares which rank equally with the existing Commonwealth Bank PERLS in respect of dividends or distributions of capital on a Winding Up.

6 Transfers

Transfer of Unidentified PERLS

Where a Holder executes a transfer of less than all Commonwealth Bank PERLS registered in the Holder's name, and the specific Commonwealth Bank PERLS to be transferred are not identified, the Issuer may register the transfer in respect of such of the Commonwealth Bank PERLS registered in the name of the transferor as the

Issuer determines in its absolute discretion, provided the aggregate number or amount of Commonwealth Bank PERLS registered as having been transferred equals the aggregate number or amount of Commonwealth Bank PERLS expressed to be transferred in the transfer.

7 Notifications to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Directors for the purposes of the provisions of these Conditions will (in the absence of negligence, wilful default, bad faith or manifest error) be binding on the Issuer and all Holders.

8 Quotation

The Issuer will apply for official quotation on the Official List of ASX of Commonwealth Bank PERLS and of any Ordinary Shares issued as a result of an Exchange pursuant to clause 4.

9 Governing law, jurisdiction and service of process

Governing law

- 9.1 Commonwealth Bank PERLS and these Conditions are each governed by the law in force in the Australian Capital Territory.

Jurisdiction

- 9.2 The Issuer and each Holder irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the Australian Capital Territory and courts of appeal from them. The Issuer and each Holder waive any right they have to object to an action being brought in those courts, to claim that the action has been brought in an inconvenient forum, or to claim those courts do not have jurisdiction.

10 Variation of these Conditions

- 10.1 The Issuer may vary these Conditions subject to the approval of APRA and the consent of a Special

Resolution of Holders (other than a variation in accordance with clause 10.6) in accordance with this clause 10. For the avoidance of doubt, a determination under clause 2.11 and an adjustment under clause 4.6 does not constitute a variation of these Conditions requiring the consent of a Special Resolution of Holders.

- 10.2 Where the Issuer proposes to vary these Conditions, it must notify the Holders of the proposal in accordance with the Constitution and give those Holders not less than 28 days' notice of the meeting at which the Special Resolution relating to the proposed variation is to be proposed (exclusive of the day on which the notice is given and the meeting is held), specifying the terms of the proposed variation and the day, time and place of the meeting.
- 10.3 The accidental omission to give notice to, or the non-receipt of notice by, any Holder, does not invalidate the proceedings at any meeting of Holders.

10.4 A Holder may appoint a proxy to attend and vote at any meeting of Holders. Each Holder has one vote for each Commonwealth Bank PERLS held by them on the date 11 Business Days (or such other period determined under the Listing Rules from time to time), prior to the date of the meeting.

10.5 Any variation to these Conditions proposed by the Issuer in accordance with this clause and approved by the Holders by Special Resolution is binding on all Holders.

10.6 Subject to complying with all applicable laws, the Issuer may without the authority, assent or approval of the Holders amend or add to these terms of issue if such amendment or addition is, in the opinion of the Issuer:

- (a) of a formal, minor or technical nature;
- (b) made to correct a manifest error; or
- (c) not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) to be materially prejudicial to the interests of the Holders.

11 Definitions

The following words have these meanings in these Conditions unless the contrary intention appears:

Acceleration Event	means the occurrence of any of the following events: (a) a takeover bid (as defined in the Corporations Law), or any type of equivalent offer made under any successor sections of the Corporations Law relating to takeovers, is at any time made to acquire all or a portion (being greater than 50%) of the Ordinary Shares and the Offer is, or becomes, unconditional and: (i) the voting power of the offeror in the Issuer is, or becomes, greater than 50%; or (ii) the Directors issue a statement recommending acceptance of the Offer; or (b) a court approves the convening of a scheme of arrangement under Part 5.1 of the Corporations Law (or any successor sections of the Corporations Law relating to schemes of arrangement) which, when implemented, will result in a person's voting power in the Issuer being more than 50%.
APRA	means the Australian Prudential Regulation Authority or any authority succeeding to its powers and functions.
ASX	means Australian Stock Exchange Limited.
Australian dollars, \$ and AUD	means the lawful currency for the time being of Australia.
Bill	means a bill of exchange within the meaning of the <i>Bills of Exchange Act 1909</i> (Commonwealth).
Business Day	has the meaning given to that term in the Listing Rules.
Conditions	means these terms and conditions.
Constitution	means the constitution of the Issuer.
Current Rollover Date	means the Rollover Date immediately following the issuance of a Dividend Reset Notice (or the First Rollover Date as the case may be).
Directors	means some or all of the directors of the Issuer acting as a board.
Distributable Profits	means at any time the operating profits after income tax of the Issuer for the immediately preceding Year (or such other amount as determined by APRA in its discretion to be appropriate in the Issuer's circumstances for the purposes of servicing the Issuer's Tier 1 Capital elements) less the aggregate amount of any dividends paid on any Preference Shares or Ordinary Shares of the Issuer during the current Year.
Dividend	means the Dividend calculated in accordance with clause 2.1.
Dividend Factor	means a Factor determined in accordance with clause 2.1 which reflects that Dividends can carry imputation credits and entitle Holders to a franking rebate.
Dividend Payment Date	means: (a) the last Business Day of each Quarter; (b) in the case of any Further Period, the dates as determined by the Directors in accordance with clause 2.11(c); and (c) the Exchange Date (if not the last Business Day of the Quarter).
Dividend Rate	means the rate determined in accordance with clause 2.1.
Dividend Reset Notice	means a notice given to Holders of Commonwealth Bank PERLS under clause 2.11.
Dividend Reset Notice Date	means the date of the Dividend Reset Notice, being at least 50 Business Days prior to a Rollover Date.

Exchange	means in relation to a Commonwealth Bank PERLS, to: (a) convert a Commonwealth Bank PERLS by varying the status of and the rights attaching to it and issuing additional Ordinary Shares; (b) procure the sale of a Commonwealth Bank PERLS, as contemplated by clause 4 and Exchanged is to be construed accordingly.
Exchange Date	means: (a) where an Exchange is requested by the Holder pursuant to clause 4.2(a), the Rollover Date immediately following receipt by the Issuer of a Holder Exchange Notice; (b) where an Exchange is requested by the Holder pursuant to clause 4.2(b), the Dividend Payment Date immediately following receipt by the Issuer of a Holder Exchange Notice; (c) where an Exchange follows the occurrence of an Acceleration Event pursuant to clause 4.9, five Business Days after the conclusion of the relevant Reference Period; and (d) where the Issuer serves an Issuer Exchange Notice on the Holder pursuant to clause 4.8(a), a date no earlier than 21 Business Days after the date of the Exchange Notice; and (e) where the Issuer serves an Issuer Exchange Notice on the Holder pursuant to clause 4.8(b) or clause 4.8(c), the next Dividend Payment Date.
Exchange Notice	means an Issuer Exchange Notice or a Holder Exchange Notice.
First Rollover Date	means the fifth anniversary of the Issue Date or, if not a Business Day, the following Business Day.
Franking Percentage	in relation to a Dividend, means the franking percentage (within the meaning of Part IIIAA of the Tax Act or any part that replaces or revises that part) of the Dividend announced by the Issuer on declaration of the Dividend, expressed as a decimal.
Further Period	means each period between successive Rollover Dates subsequent to the Initial Period.
Holder	means a person whose name is for the time being registered in the Register as the Holder of a Commonwealth Bank PERLS.
Holder Exchange Notice	means a notice given by a Holder to the Issuer under clause 4.2, substantially in the form of Schedule 1.
Initial Margin	means 1.8500%.
Initial Period	means the period between the Issue Date and the First Rollover Date.
Issue Date	means the date of issue of Commonwealth Bank PERLS.
Issue Price	in respect of each Commonwealth Bank PERLS means \$200.00.
Issuer	means Commonwealth Bank of Australia (ABN 48 123 123 124).
Issuer Exchange Notice	means a notice given by the Issuer to a Holder under clause 4.7 or clause 4.8 requiring the transfer of a Holder's Commonwealth Bank PERLS to the Issuer.
Listing Rules	means the Listing Rules of ASX from time to time with any modification or waivers in their Application to the Issuer, which ASX may grant.
Margin	means: (a) for the Initial Period, the Initial Margin; and (b) for any Further Period the rate advised by the Issuer in accordance with clause 2.11(b) for the relevant Further Period.

Market Rate	<p>means:</p> <p>(a) for the Quarter ending on 6 July 2001, means 5.5583%;</p> <p>(b) in the case of any subsequent Quarter in the Initial Period, the average mid rate for 90 Day Bills (expressed as a percentage per annum) which average rate is displayed on the page of the Reuters Monitor System designed "BBSW" on the first Business Day of that Quarter, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10:30am (Sydney time) on that date the rate specified in good faith by the Issuer at or around that time on that date having regard, to the extent possible, to:</p> <p>(i) the rates otherwise bid and offered for 90 Day Bills or for funds of that tenor, at or around the time (including, without limitation, the sets of bid and offer rates for Bills of that tenor displayed on that page "BBSW" at that time on that date); or</p> <p>(ii) if bid and offer rates for 90 Day Bills are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time; and</p> <p>(c) in the case of any Quarter in any Further Period, the rate determined and specified by Directors in accordance with clause 2.11(b).</p>
Optional Dividend	<p>means in respect of a Commonwealth Bank PERLS an amount equal to all Dividends not paid because of clause 2.5 on any prior Dividend Payment Date other than:</p> <p>(a) Dividends not paid because of clause 2.5 prior to the time a preceding Optional Dividend had been paid; and</p> <p>(b) Dividends not paid because of clause 2.5 in respect of any Dividend Payment Date prior to a Dividend Payment Date on which the Issuer has paid a Dividend.</p>
Ordinary Share	means an ordinary share in the capital of the Issuer.
Ordinary Shareholder	means a holder of an Ordinary Share.
PERLS	means a Preferred Exchangeable Resettable Listed Share in the capital of the Issuer having the rights, powers and privileges set out in these Conditions.
Preference Share	means a preference share in the capital of the Issuer.
Quarter	<p>means:</p> <p>(a) in respect of the Initial Period, each three calendar months (except that the first Dividend, to be made on the Dividend Payment Date falling on 6 July 2001, will be in respect of the period from and including the Issue Date to but excluding the first Dividend Payment Date) ending on 6 April, 6 July, 6 October and 6 January during the period from and including the Issue Date up to and excluding the Exchange Date or Rollover Date as applicable; or</p> <p>(b) in respect of a Further Period, each three calendar months ending on 6 April, 6 July, 6 October and 6 January from the Rollover Date on which the Further Period commences up to and excluding the Exchange Date or Rollover Date as applicable, or any other date or dates for the payment of Dividends as the Directors may determine under clause 2.11(c),</p> <p>and, if not a Business Day, the following Business Day.</p>
Record Date	in relation to a Dividend means the date which is 11 Business Days before the Dividend Payment Date for that Dividend or such other date as may be required by ASX.
Reference Period	means the 20 Business Days immediately preceding the Exchange Date except where an Exchange is the direct result of an Acceleration Event in which case it means the 20 Business Days immediately following an Acceleration Event.
Register	means the register of Commonwealth Bank PERLS maintained by the Issuer and includes any sub-register established and maintained under the Clearing House Electronic Sub-Register System (as defined in the Listing Rules).

Regulatory Event	<p>means:</p> <p>(a) the receipt by the Issuer from a reputable legal counsel that, as a result of any amendment to, clarification of, or change (including any announcement of a prospective change) in, any law or regulation thereunder affecting securities laws of Australia or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment, clarification or change is effective or pronouncement, action or decision is announced on or after the Issue Date, additional requirements would be imposed on the Issuer which the Issuer determines, at its sole discretion, to be unacceptable; or</p> <p>(b) the determination by the Issuer that there is a risk that the Issuer is not or will not be entitled to treat all of the Commonwealth Bank PERLS as Tier 1 Capital.</p>
Rollover Date	<p>means the First Rollover Date and each other date thereafter which is specified as such by the Issuer in a Dividend Reset Notice issued under clause 2.11 or, if any of these dates is not a Business Day, the following Business Day. A Rollover Date must be a Dividend Payment Date.</p>
SCH Business Rules	<p>means the business rules made by ASX Settlement and Transfer Corporation Pty Limited, being approved as the securities clearing house under the Corporations Law.</p>
Special Resolution	<p>means a resolution passed at a meeting of Holders by a majority of at least 75% of the votes cast by Holders present in person or by proxy and entitled to vote on the resolution.</p>
Tax Act	<p>means:</p> <p>(a) the <i>Income Tax Assessment Act 1936</i> (Commonwealth) or the <i>Income Tax Assessment Act 1997</i> (Commonwealth) as the case may be as amended and a reference to any section of the <i>Income Tax Assessment Act 1936</i> (Commonwealth) includes a reference to that section as rewritten in the <i>Income Tax Assessment Act 1997</i> (Commonwealth);</p> <p>(b) any other Act setting the rate of income tax payable; and</p> <p>(c) any regulation promulgated thereunder.</p>
Tax Event	<p>means the receipt by the Issuer of an opinion from a reputable legal counsel or other tax adviser in Australia, experienced in such matters to the effect that, as a result of:</p> <p>(a) any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations thereunder) of such jurisdictions or any political subdivision or taxing authority thereof or therein affecting taxation;</p> <p>(b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (“Administrative Action”); or</p> <p>(c) any amendment to, clarification of, or change in, the pronouncement that provides for a position with respect to an Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known,</p> <p>which amendment, clarification, change or Administrative Action is effective or such pronouncement or decision is announced on or after the Issue Date, Commonwealth Bank PERLS cannot be franked by the Issuer or, Holders are not entitled to franking credits on Commonwealth Bank PERLS or, there is more than an insubstantial risk that the Issuer would be exposed to more than a <i>de minimus</i> increase in its costs in relation to Commonwealth Bank PERLS as a result of increased taxes, duties or other governmental charges or civil liabilities.</p>

Tier 1 Capital	means the core capital of the Issuer as defined by APRA.
Tier 1 Capital Ratio	means at any time the ratio so described by APRA.
Total Capital Adequacy Ratio	means at any time the ratio so described by APRA.
Vary	includes amend, add to or delete and variation is to be construed accordingly.
VWAP	means the average of the daily volume weighted average sale price of Ordinary Shares sold on ASX during the relevant Reference Period, subject to any adjustments made under clause 4.5, but does not include any transaction defined in the ASX Business Rules as “special” crossings prior to the commencement of normal trading, crossings during the after hours adjust phase nor any overseas trades or the exercise of options over Ordinary Shares.
Winding Up	means: (a) a proceeding is commenced by the Issuer or a person that controls the Issuer for an order that the Issuer be dissolved, wound up or liquidated or for the appointment of a provisional liquidator, liquidator, administrator, controller or similar official in respect of the Issuer or all or substantially all of its property; (b) a proceeding for an order of a kind described in paragraph (a) is commenced by any other person and such proceeding is not discontinued or dismissed within 30 Business Days of its having been filed; or (c) a provisional liquidator, liquidator, administrator, controller or similar official is appointed in respect of the Issuer on all or substantially all of its property and such appointment is not revoked or set aside within 30 Business Days of such appointment.
Year	means a financial Year of the Issuer.



12 Interpretation

12.1 In these Conditions unless the contrary intention appears:

- (a) a reference to these Conditions is a reference to these Conditions as modified, supplemented or replaced from time to time;
- (b) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (c) the singular includes the plural and vice versa;
- (d) the word “person” includes a firm, body corporate, an unincorporated association or an authority;
- (e) a reference to a person includes a reference to the person’s executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;
- (f) a reference to any thing (including, without limitation, any amount) is a reference to the whole and each part of it;
- (g) a reference to time is a reference to Sydney time; and
- (h) a reference to a clause is a reference to a clause of these Conditions.

Headings

12.2 Headings are inserted for convenience and do not affect the interpretation of these Conditions.

Schedule 1 – Sample Holder Exchange Notice

Commonwealth Bank of Australia
ABN 48 123 123 124

Issue of PERLS

Holder Exchange Notice

I/We, being holder(s) of [] Commonwealth Bank PERLS, hereby give notice, pursuant to and in accordance with clause 4.2 of the terms and conditions of Commonwealth Bank PERLS in the Issuer ("**Issue Terms**"), of my/our wish to Exchange [] of those Commonwealth Bank PERLS.

For the purposes of this notice, the Exchange Date will be the Dividend Reset Date/Dividend Payment Date, *as applicable*, immediately following the date of this notice.

I/We represent, both at the time of giving this notice and separately at the time my/our Commonwealth Bank PERLS are Exchanged pursuant to this notice, both for the benefit of the Issuer and the person who purchases my/our Commonwealth Bank PERLS (if applicable):

- (a) I/we am/are the legal and beneficial owner of Commonwealth Bank PERLS; and
- (b) Commonwealth Bank PERLS are free and clear of any interest or power reserved in or over any interest in any Commonwealth Bank PERLS including, without limitation, under a bill of sale, mortgage, charge, lien, pledge, option, trust or power, by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation and whether existing or agreed to be granted or created.

Words and expressions defined in and for the purposes of the Issue Terms have the same meanings where used in this notice.

[Name and signature of holder(s)]

Dated: []

A corporation must execute by signing by two directors or a director and secretary or under its corporate seal (if it has one). In the case of joint holders, all holders must sign. Where the notice is signed under a power of attorney, the attorney warrants that he or she has received no notice of revocation of the power by death of the grantor or otherwise.

Glossary

The following is a glossary of the terms used in this Prospectus. There is also a list of the defined terms that are used in the detailed Terms and Conditions of the Commonwealth Bank PERLS in Appendix A, commencing on page 32.

Acceptance	Acceptance by the Bank of an offer contained in an Application Form.
Allocation	The process by which Commonwealth Bank PERLS are Allotted to successful Applicants.
Allotment or Allotted	The process undertaken to determine the distribution of Commonwealth Bank PERLS among Applicants. After this process, successful Applicants will be informed of their Commonwealth Bank PERLS Allocation.
Allotment Date	The date on which Commonwealth Bank PERLS are Allotted to successful Applicants.
Application	A valid Application made on the conditions set out in this Prospectus by using an Application Form to apply for a specified number of Commonwealth Bank PERLS.
Application Form	Each form attached to or accompanying this Prospectus upon which an offer to subscribe for Commonwealth Bank PERLS must be made.
Application Monies	The monies payable on Application, being the product of multiplying the number of Commonwealth Bank PERLS applied for by the amount of \$200.00.
ASIC	Australian Securities and Investments Commission.
ASX Perpetual Registrars	ASX Perpetual Registrars Limited (ABN 54 083 214 537).
Bank	Commonwealth Bank of Australia (ABN 48 123 123 124).
Banking Act	The Banking Act 1959 (Commonwealth).
CHESS	Clearing House Electronic Subregister System.
Closing Date	The last day on which Application Forms will be accepted.
Commonwealth Securities	Commonwealth Securities Limited (ABN 60 067 254 399).
The Group	Commonwealth Bank of Australia and its subsidiaries.
Joint Lead Managers	Salomon Smith Barney Australia and Commonwealth Securities.
Offer	The invitation to make an Application made by this Prospectus for members of the public to purchase Commonwealth Bank PERLS.
Prospectus	This document including the Terms and Conditions on which Commonwealth Bank PERLS are offered.
Salomon Smith Barney	Salomon Smith Barney Australia Securities Pty Ltd (ABN 64 003 114 832).
Successful Applicant	An applicant whose Application is accepted by the Bank, whether in part or in full.
Terms and Conditions	The Terms and Conditions of Commonwealth Bank PERLS set out in full in Appendix A.

Important Information

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

Complete the original Application Form on the following page. Photocopied Application Forms cannot be accepted.

Please follow the guidelines on the next page to ensure that you submit a valid Application.

Applications must be to apply for a minimum of 25 Commonwealth Bank PERLS, which is \$5,000.00.

Your Application constitutes an Offer to purchase Commonwealth Bank PERLS on the terms set out in this Prospectus.

Acceptance of your offer is at the discretion of the Commonwealth Bank of Australia.

The Commonwealth Bank of Australia reserves the right to reject any Application or to Allocate any Application a lower number of Commonwealth Bank PERLS than applied for.

Payment

The Application Forms must be accompanied by Application Monies in the form of a cheque or bank draft drawn on an Australian financial institution, crossed "Not Negotiable" and made payable to "Commonwealth Bank PERLS" in Australian dollars.

Cash cannot be accepted.

Application Monies will be held in a bank account until the acceptance of Applications. No interest will be paid on Application Monies.

Cheques will be deposited on day of receipt. Sufficient cleared funds should be held in your account as your Application may be rejected if your cheque is dishonoured.

Overseas

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an Offer.

This form applies to Australian Applicants only.

How to Lodge your Application

Return your completed Application Form and Application money to:

✉ **Mailing address**
Commonwealth Bank PERLS
Locked Bag A5070
Sydney South NSW 1232

or

👉 **Delivery address**
Commonwealth Bank PERLS
C/- ASX Perpetual Registrars Limited
Level 8, 580 George Street
Sydney NSW 2000

Applications must be received at one of the above addresses by 5:00pm (Sydney time) on 30 March 2001.

Opening and Closing Dates

You can lodge an Application at any time after the Offer opens at 9:00am (AEST) on 12 March 2001.

The Offer closes not later than 5:00pm (AEST) on 30 March 2001.

As the Offer may be closed earlier without prior notice, you are encouraged to submit your Application as soon as possible after the Offer opens.

Enquiries

If you have any questions about any aspect of this Offer or require assistance to complete the Application Form, you should contact 1-800-242-300.

How to complete the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

A	Write the Number of Commonwealth Bank PERLS you wish to apply for in Box A. The Application must be for a minimum of 25 Commonwealth Bank PERLS, which is \$5,000.00.
B	Calculate your Application Monies by multiplying the number of Commonwealth Bank PERLS by \$200.00 being the Issue Price per Commonwealth Bank PERLS. Insert the relevant amount in Box B.
C D E	<p>Write 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 back of the Application Form for the correct forms of name which can be registered.</p> <p>If you have written a CHESS HIN in Section H, please ensure that you write your name in EXACTLY THE SAME format as it appears on your CHESS holding statement.</p> <p>Applications in the name of a minor, a trust or estate, business, firm or partnership, club, association or other unincorporated body cannot be accepted. Applications made in the individual name(s) of (the) person(s) who is(are) the legal guardian(s), trustee(s), proprietor(s), partner(s) or office bearer(s) (as applicable) of those entities will be accepted.</p>
F	Enter your postal address for all correspondence. All communications to you from the registry (holding statement, annual/interim reports, correspondence, etc) will be mailed to the person(s) and address as shown. For joint Applications, only one address can be entered. Your Application will be rejected if the address is not within Australia.
G	Enter your TAX FILE NUMBER (TFN), Australian Business Number (ABN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFNs is authorised by taxation laws and the Privacy Act. Quotation of your TFN is not compulsory and will not affect your Application.
H	If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here.
I	Please write your Telephone Number(s) including STD area code and contact name in case we need to contact you about your Application.
J	<ul style="list-style-type: none"> • Make your cheque(s) or bank draft(s) payable to “Commonwealth Bank PERLS” in Australian currency and crossed “Not Negotiable”. Your cheque(s) or bank draft(s) must be drawn on an Australian bank. • The amount should agree with the amount shown in B. • PIN (do not staple) your cheque(s) or bank draft(s) to the Application Form where indicated. • Complete the details of your cheque(s) or bank draft(s) in this section. • Receipt for payment will not be forwarded.

Further Information for Applicants

Treatment of Applications

The return of an Application Form with your cheque(s) will constitute your offer to purchase Commonwealth Bank PERLS. If your Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid.

The decision of Commonwealth Bank of Australia as to whether to treat your Application as valid, and how to construe, amend or complete it, will be final. The Commonwealth Bank of Australia's decision on the number of Commonwealth Bank PERLS to be Allocated to you will also be final. You will not, however, be treated as having offered to purchase more Commonwealth Bank PERLS than is indicated by the amount of your cheque(s).

Correct forms of registrable names

Note that ONLY legal entities are allowed to hold Commonwealth Bank PERLS. 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 below.

Individual (use name in full, not initials)	C	E L I Z A B E T H J O S E P H I N E M O N T G O M E R Y
	D	
	E	
Joint with One or Two Others (represents one Application)	C	J O H N P E T E R S M I T H
	D	M A R Y H E L E N S M I T H
	E	F R E D E R I C K J A M E S S M I T H
Company (use full company name)	C	J O H N S M I T H F R E S H F O O D S
	D	T R A N S P O R T P T Y L T D
	E	

Examples of Use of <Account Name>

Superannuation Fund (use trustee(s) name(s) in C and/or D and an account name as shown in E)	C	J O H N S M I T H F R E S H F O O D S P T Y L T D
	D	
	E	< S U P E R F U N D A / C >
Trust (use trustee(s) name in C and/or D and an account name as shown in E)	C	J O H N P E T E R S M I T H
	D	
	E	< S M I T H F A M I L Y A / C >
Deceased Estate (use executor(s) name(s) in C and/or D and an account name as shown in E)	C	C A R O L I N E V A N D E R H E L D E R
	D	
	E	< E S T J O H N S M I T H A / C >
Partnership (use partner(s) name(s) in C and/or D and an account name as shown in E)	C	M A R G A R E T B R O W N
	D	J O H N P E T E R S M I T H
	E	< B R O W N S M I T H P A R T N E R S A / C >
Club/Unincorporated Body (use office bearer(s) full name(s) in C and/or D and an account name as shown in E)	C	J O H N P E T E R S M I T H
	D	
	E	< X Y Z T E N N I S A S S O C I A T I O N A / C >
Persons under the age of 18 (use parent(s)/guardian(s) full name(s) in C and/or D and an account name of the minor as shown in E)	C	M I C H A E L J O H N W I L S O N
	D	S A R A H J A N E W I L S O N
	E	< A N D R E W W I L S O N A / C >

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Individual (use name in full, not initials)	C	E L I Z A B E T H J O S E P H I N E M O N T G O M E R Y
	D	
	E	
Joint with One or Two Others (represents one Application)	C	J O H N P E T E R S M I T H
	D	M A R Y H E L E N S M I T H
	E	F R E D E R I C K J A M E S S M I T H
Company (use full company name)	C	J O H N S M I T H F R E S H F O O D S
	D	T R A N S P O R T P T Y L T D
	E	

Examples of Use of <Account Name>

Superannuation Fund (use trustee(s) name(s) in C and/or D and an account name as shown in E)	C	J O H N S M I T H F R E S H F O O D S P T Y L T D
	D	
	E	< S U P E R F U N D A / C >
Trust (use trustee(s) name in C and/or D and an account name as shown in E)	C	J O H N P E T E R S M I T H
	D	
	E	< S M I T H F A M I L Y A / C >
Deceased Estate (use executor(s) name(s) in C and/or D and an account name as shown in E)	C	C A R O L I N E V A N D E R H E L D E R
	D	
	E	< E S T J O H N S M I T H A / C >
Partnership (use partner(s) name(s) in C and/or D and an account name as shown in E)	C	M A R G A R E T B R O W N
	D	J O H N P E T E R S M I T H
	E	< B R O W N S M I T H P A R T N E R S A / C >
Club/Unincorporated Body (use office bearer(s) full name(s) in C and/or D and an account name as shown in E)	C	J O H N P E T E R S M I T H
	D	
	E	< X Y Z T E N N I S A S S O C I A T I O N A / C >
Persons under the age of 18 (use parent(s)/guardian(s) full name(s) in C and/or D and an account name of the minor as shown in E)	C	M I C H A E L J O H N W I L S O N
	D	S A R A H J A N E W I L S O N
	E	< A N D R E W W I L S O N A / C >

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Individual (use name in full, not initials)	C	E L I Z A B E T H J O S E P H I N E M O N T G O M E R Y
	D	
	E	
Joint with One or Two Others (represents one Application)	C	J O H N P E T E R S M I T H
	D	M A R Y H E L E N S M I T H
	E	F R E D E R I C K J A M E S S M I T H
Company (use full company name)	C	J O H N S M I T H F R E S H F O O D S
	D	T R A N S P O R T P T Y L T D
	E	

Examples of Use of <Account Name>

Superannuation Fund (use trustee(s) name(s) in C and/or D and an account name as shown in E)	C	J O H N S M I T H F R E S H F O O D S P T Y L T D
	D	
	E	< S U P E R F U N D A / C >
Trust (use trustee(s) name in C and/or D and an account name as shown in E)	C	J O H N P E T E R S M I T H
	D	
	E	< S M I T H F A M I L Y A / C >
Deceased Estate (use executor(s) name(s) in C and/or D and an account name as shown in E)	C	C A R O L I N E V A N D E R H E L D E R
	D	
	E	< E S T J O H N S M I T H A / C >
Partnership (use partner(s) name(s) in C and/or D and an account name as shown in E)	C	M A R G A R E T B R O W N
	D	J O H N P E T E R S M I T H
	E	< B R O W N S M I T H P A R T N E R S A / C >
Club/Unincorporated Body (use office bearer(s) full name(s) in C and/or D and an account name as shown in E)	C	J O H N P E T E R S M I T H
	D	
	E	< X Y Z T E N N I S A S S O C I A T I O N A / C >
Persons under the age of 18 (use parent(s)/guardian(s) full name(s) in C and/or D and an account name of the minor as shown in E)	C	M I C H A E L J O H N W I L S O N
	D	S A R A H J A N E W I L S O N
	E	< A N D R E W W I L S O N A / C >

FIRM STAMP



Broker Code (office use)

Grid for Broker Code

BROKER STAMP

Adviser Code (office use)

Grid for Adviser Code

Broker codes must also be entered in the Broker Code boxes.

Public Application Form

Please print clearly in CAPITAL LETTERS using black or blue ink. Do not write outside the boxes. For items A to J refer to the guide on opposite page.

I/We apply to purchase

I/We lodge full application money

A [] [] [] [] [] [] [] [] [] [] [] [] [] [] at the Issue price of \$200.00 per Commonwealth Bank PERLS (minimum 25 Commonwealth Bank PERLS)

B A\$ [] [] [] [] [] [] [] [] [] [] [] [] [] [] . 0 0 (Minimum \$5,000.00)

Complete full name details (refer overleaf for correct forms of registrable names) Given names or company name Surname

Grid for name details

Joint Applicant #2

Grid for Joint Applicant #2

Joint Applicant #3 (or designated account e.g. <Super Fund A/C>)

Grid for Joint Applicant #3

Complete address details

Grid for address details

Suburb/City or Town State Postcode

Grid for suburb/postcode

Joint Applicant #1

Joint Applicant #2

Grid for joint applicant details

ABN/TFN (or exemption code) first applicant

CHESS HIN (if applicable)

Grid for ABN/TFN

H X [] [] [] [] [] [] [] [] [] [] [] [] [] []

Home Telephone Number

Work Telephone Number

Contact Name

Grid for telephone and contact name

Cheque Details

J [] [] [] [] [] [] [] [] [] [] [] [] [] [] Bank Branch A\$ [] [] [] [] [] [] [] [] [] [] [] [] [] [] . 0 0

Drawer Bank Branch

J [] [] [] [] [] [] [] [] [] [] [] [] [] [] Bank Branch A\$ [] [] [] [] [] [] [] [] [] [] [] [] [] [] . 0 0

Declaration

I/We declare that by lodging this Application Form and the Application Monies, I/we represent and acknowledge that I/we have read and understood the Prospectus to which this Application Form relates and agree to be bound by the Constitution of Commonwealth Bank of Australia (as amended from time to time). I/We hereby authorise Commonwealth Bank to complete and execute any document necessary to effect the transfer of any Commonwealth Bank PERLS. By lodging this Application Form, I/we declare that this Application is completed and lodged according to the Prospectus and that all statements made by me/us are complete and accurate. I/We hereby make the representation and warranty set out in Section 9.4 of the Prospectus regarding US selling restrictions.

No signature is required. You should read the Prospectus carefully before completing the Application Form. By lodging this Application Form and cheque(s) applicants will be taken to have made the declarations on the reverse of this form.

Further Information for Applicants

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	D	
	E	
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	D	M A R Y H E L E N S M I T H
	E	F R E D E R I C K J A M E S S M I T H
Company (use full company name)	C	J O H N S M I T H F R E S H F O O D S
	D	T R A N S P O R T P T Y L T D
	E	

Examples of Use of <Account Name>

Superannuation Fund (use trustee(s) name(s) in C and/or D and an account name as shown in E)	C	J O H N S M I T H F R E S H F O O D S P T Y L T D
	D	
	E	< S U P E R F U N D A / C >
Trust (use trustee(s) name in C and/or D and an account name as shown in E)	C	J O H N P E T E R S M I T H
	D	
	E	< S M I T H F A M I L Y A / C >
Deceased Estate (use executor(s) name(s) in C and/or D and an account name as shown in E)	C	C A R O L I N E V A N D E R H E L D E R
	D	
	E	< E S T J O H N S M I T H A / C >
Partnership (use partner(s) name(s) in C and/or D and an account name as shown in E)	C	M A R G A R E T B R O W N
	D	J O H N P E T E R S M I T H
	E	< B R O W N S M I T H P A R T N E R S A / C >
Club/Unincorporated Body (use office bearer(s) full name(s) in C and/or D and an account name as shown in E)	C	J O H N P E T E R S M I T H
	D	
	E	< X Y Z T E N N I S A S S O C I A T I O N A / C >
Persons under the age of 18 (use parent(s)/guardian(s) full name(s) in C and/or D and an account name of the minor as shown in E)	C	M I C H A E L J O H N W I L S O N
	D	S A R A H J A N E W I L S O N
	E	< A N D R E W W I L S O N A / C >

Corporate Directory

Registered Head Office

Commonwealth Bank of Australia
Level 1, 48 Martin Place
Sydney NSW 1155

Arranger

Salomon Smith Barney Australia Securities Pty Limited
Level 40, Citigroup Centre
2 Park Street
Sydney NSW 2000

Joint Lead Managers

Salomon Smith Barney Australia Securities Pty Limited
Level 40, Citigroup Centre
2 Park Street
Sydney NSW 2000

Commonwealth Securities Limited
Level 6, 120 Pitt Street
Sydney NSW 2000

Co-Managers

Credit Suisse First Boston Australia Limited
Level 31, Gateway Building
1 Macquarie Place
Sydney NSW 2000

UBS Warburg Australia Limited
Level 25, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Auditor to the Bank

Ernst & Young
321 Kent Street
Sydney NSW 2000

Tax Adviser to the Bank

Greenwoods & Freehills Pty Limited
Level 35, MLC Centre
19-29 Martin Place
Sydney NSW 2000

Share Registry

ASX Perpetual Registrars Limited
Level 8, 580 George Street
Sydney NSW 2000



Make it happen.

