

Notice of Meeting

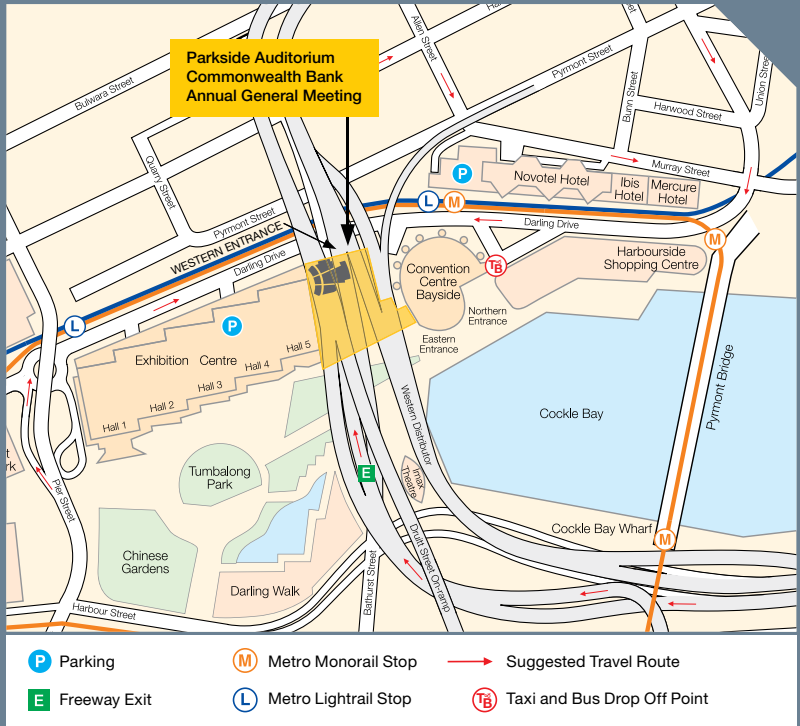
2012

CommonwealthBank



HOW TO GET THERE

The Annual General Meeting will be held on Tuesday, 30 October 2012, commencing at 11.00 am at Sydney Convention and Exhibition Centre, Darling Harbour, Sydney



Chairman's Letter
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2012 Annual Report

A copy of the Commonwealth Bank 2012 Annual Report for the year ended 30 June 2012 is available on the Group's website www.commbank.com.au/shareholder/annualreports

CHAIRMAN'S LETTER

3 September 2012

DEAR SHAREHOLDER

I am writing to invite you, as a shareholder in Commonwealth Bank of Australia, to attend the Annual General Meeting on Tuesday, 30 October 2012.

The meeting will be held at Sydney Convention and Exhibition Centre, Darling Harbour, Sydney. A map is shown on the opposite page.

The meeting will begin at 11.00 am, with registration available from 10.00 am.

A Voting Form is included in this information pack. The Voting Form contains a barcode to assist with the registration process at the meeting. If you attend the meeting, please bring this barcoded form with you. If you are not attending the meeting, the Voting Form allows shareholders to either lodge their

vote directly or appoint a proxy to vote on their behalf. Please refer to the Voting Form for more information on how to vote. Alternatively, the Voting Form can be lodged in accordance with the instructions in the Notice of Meeting.

I have enclosed a form for those who cannot attend the meeting but would like to submit questions on any shareholder matters that may be relevant to the Annual General Meeting. I invite you to submit any questions you may have on this enclosed form and return it with the Voting Form. While time will undoubtedly not permit me to address all the questions submitted, I will try to address as many of the more frequently raised shareholder matters during the course of the Annual General Meeting.

A live webcast of the presentation will be broadcast on the Bank's website through the Shareholder Centre at <http://www.commbank.com.au/shareholder/annualgeneralmeeting>. An archive of the webcast will be available at the same web address within a day. This will enable you to hear or read the responses to the questions raised on the returned forms and during the meeting.

Any body corporate holder of Commonwealth Bank shares, or any body corporate appointed as a proxy, wishing to appoint a person to act as its representative at the meeting may do so by providing that person with a letter, executed in accordance with

the body corporate's constitution, authorising him or her as the body corporate's representative.

The Notice of Meeting commences on page 3, listing the items to be considered at the meeting. Background information on Items 2 to 5 is contained in the Explanatory Memorandum on pages 6 to 16.

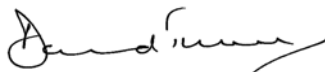
Agenda Item 3 is a non-binding resolution that shareholders adopt the Remuneration Report which can be found at pages 69 to 88 in the Annual Report 2012. I would encourage you to review the detailed account of the Bank's remuneration policy as set out in this report.

Agenda Item 5 is a special resolution to approve a selective buy-back agreement relating to the Preference Shares that form part of PERLS IV Stapled Securities.

The transaction you would be approving is consistent with the Bank's conservative and pro-active approach to capital management. Information about the buy-back is set out in the Explanatory Memorandum.

Commonwealth Bank Directors and Senior Executives would also like to extend an invitation to shareholders to join them in enjoying light refreshments after the meeting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Turner', with a stylized flourish at the end.

David Turner
CHAIRMAN

2012 AGM

NOTICE OF MEETING

Commonwealth Bank of Australia ACN 123 123 124

Meeting to be held on Tuesday, 30 October 2012, commencing at 11.00 am at Sydney Convention and Exhibition Centre, Darling Harbour, Sydney.

1 Discussion of Financial Statements

To discuss the financial report, the Directors' report and the auditor's report for the year ended 30 June 2012.

2 Election of Directors

In accordance with Articles 11.1 and 11.2 of the Constitution of Commonwealth Bank of Australia:

- (a) Mr David Turner retires and, being eligible, offers himself for re-election;
- (b) Ms Carolyn Kay retires and, being eligible, offers herself for re-election; and
- (c) Mr Harrison Young retires and, being eligible, offers himself for re-election.

Information about the candidates seeking re-election appears in the Explanatory Memorandum.

3 Remuneration Report

To adopt the Remuneration Report for the year ended 30 June 2012.

4 Grant of Securities to Ian Mark Narev under the Group Leadership Reward Plan

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That approval be given in accordance with ASX Listing Rules 10.14 and 10.15 for the participation of Mr I M Narev in the Group Leadership Reward Plan of Commonwealth Bank of Australia (GLRP), and for the grant of reward rights to Mr I M Narev within one year of the date of this Annual General Meeting pursuant to the GLRP and on the terms described in the Explanatory Memorandum accompanying this Notice of Meeting."

5 Approval of Selective Buy-Back Agreement Relating to the Preference Shares that form part of PERLS IV Stapled Securities

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That approval be given to the terms and conditions of the selective buy-back agreement relating to the buy-back of

up to 100% of the Preference Shares that form part of the Perpetual Exchangeable Resaleable Listed Securities (**PERLS IV**) as described in the Explanatory Memorandum accompanying this Notice of Meeting.”

Voting restrictions (Item 5 continued)

Holders of ordinary shares and holders of PERLS IV will have the right to vote on Item 5.

The Corporations Act requires Commonwealth Bank of Australia to disregard any votes cast in favour of Item 5 by a person whose PERLS IV will be bought back or by their associates or proxies. This voting restriction applies not only to PERLS IV held by that person but also to any other shareholdings in Commonwealth Bank of Australia (e.g. ordinary shares) held by that person. At the time of the proposed buy-back, all of the PERLS IV will be held by Morgan Stanley Australia Securities Limited (**Morgan Stanley**). Accordingly, any votes cast in favour of Item 5 by Morgan Stanley and its associates will be disregarded.

Commonwealth Bank of Australia has sought and obtained an exemption from the Australian Securities and Investments Commission (**ASIC**) which will be relevant to anyone on whose behalf ordinary shares or PERLS IV are held by Morgan Stanley group nominees and custodians. This exemption enables such a nominee or custodian who holds in that capacity (for non-Morgan Stanley group entities) to vote those ordinary shares and PERLS IV in favour of Item 5. This applies where the holding

as nominee or custodian in respect of which votes in favour of Item 5 are to be cast has a Holder Identification Number or Shareholder Reference Number that is distinct from the corresponding number(s) of any Commonwealth Bank of Australia ordinary shares or PERLS IV that are held on behalf of a Morgan Stanley group entity or any associate of Morgan Stanley as principal.

Commonwealth Bank of Australia will not disregard a vote if it is cast by Morgan Stanley (or any of its associates) as proxy for a holder who is entitled to vote, in accordance with the directions on the Voting Form.

Other than as set out above, ordinary shareholders and holders of PERLS IV are not subject to any voting restrictions in relation to Item 5.

Direct Voting

If you are a shareholder and are unable to attend and vote at the Annual General Meeting on 30 October 2012, you are entitled to vote your shares directly by marking “X” in Method A on the enclosed Voting Form. You will then not need to appoint a proxy to act on your behalf. You should then mark either “For” or “Against” for each Agenda Item on the Voting Form.

If you vote on at least one item but leave other item(s) blank, the vote on the item(s) marked will be valid but no vote will be counted for the item(s) left blank.

If you leave blank the voting direction for all resolutions, the Chairman will be deemed to be your appointed proxy for all resolutions.

Appointment of Proxy

If you are a shareholder and are unable to attend and vote at the Annual General Meeting and do not choose to use Direct Voting you are also entitled to appoint a proxy to attend and vote on your behalf. A proxy need not be a shareholder. To do this you should mark "X" in Method B on the Voting Form. A proxy may be an individual or a body corporate. If no voting directions are given, the proxy may vote as they see fit.

If you are a shareholder entitled to cast two or more votes, you may appoint up to two proxies and may specify the proportion of voting rights or the number of votes each proxy is appointed to exercise.

Sending us your Direct Vote and Proxy

The completed Voting Form must be received by the Share Registrar, Link Market Services Limited at Locked Bag A14 Sydney South NSW 1235 or by facsimile to (02) 9287 0309 in Australia or (+61 2) 9287 0309 if you are overseas, by 11.00 am Sunday, 28 October 2012. A return envelope is provided.

If you wish to submit your direct vote or your appointment of proxy and voting instructions electronically, visit the share registry website, www.linkmarketservices.com.au and follow the prompts and instructions. (You will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) which is shown in the top right hand side of the Voting Form).

You must complete and submit your appointment and instructions so that they are received by 11.00am on Sunday, 28 October 2012.

If your direct vote or appointment of a proxy is signed by an attorney, or in the case of a direct vote or proxy submitted electronically, authenticated by an attorney, the power of attorney (or a certified copy of the power of attorney) must be received by the Share Registrar, Link Market Services Limited at Locked Bag A14 Sydney South NSW 1235 or by facsimile to (02) 9287 0309 in Australia or (+61 2) 9287 0309 if you are overseas, by 11.00 am Sunday, 28 October 2012.

If you appoint the Chairman of the Annual General Meeting as your proxy and do not specify how the Chairman is to vote on an item of business, the Chairman will vote (if permitted under the proxy form), as proxy for you, in favour of the resolutions including Items 3 and 4.

Determination of Shareholders' Right to Vote

For the purposes of the meeting, those shareholders holding shares at 7.00pm on Sunday, 28 October 2012, will be voting members for the meeting.

Holders of PERLS IV should read their Voting Form for eligibility and information on voting for Item 5.

By order of the Board



J D Hatton
SECRETARY

3 SEPTEMBER 2012

EXPLANATORY MEMORANDUM

AGENDA ITEM 2

Election of Directors

Pursuant to Articles 11.1 and 11.2 of the Bank's Constitution, Mr David Turner, Ms Carolyn Kay and Mr Harrison Young will retire at the Annual General Meeting and offer themselves for re-election. Mr David Turner and Ms Carolyn Kay were last re-elected in 2009. Mr Harrison Young was last re-elected in 2010.

The Board has in place policies and procedures designed to:

- Identify and update criteria for current and potential Directors to reflect the changing environment in which the Bank operates and the strategies being developed for the future growth of the Bank, and
- Monitor the skills and experience of existing Directors to ensure that the Board is capable of operating as an exceptional team in undertaking the role and responsibilities of the Board.

The Board undertakes an annual review of its performance, policies and practices. This review includes an assessment of the performance of each Director individually and the results are considered by the Board in determining its endorsement of the Directors to stand for re-election at the Annual General Meeting. After considering the results of the 2012 review, the Board recommends that shareholders support the re-election of David Turner, Carolyn Kay and Harrison Young.

Mr Fergus Ryan and Mr Colin Galbraith both of whom have served on the Board since 2000, will retire at the Annual General Meeting and will not stand for re-election.

Details of the candidates are as follows:

MR DAVID TURNER



David Turner was appointed to the Board in August 2006 and has been Chairman since 10 February 2010. He is Chairman of the Board Performance and Renewal Committee and a member of the Risk Committee and the Remuneration Committee.

David Turner has extensive experience in finance, international business and governance.

He was Chairman of Cobham plc from May 2008 until May 2010. He has held a number of Directorships including Whitbread plc and the Iron Trades Insurance Group and has been a member of the Quotations Committee of the London Stock Exchange.

He was CEO of Brambles Limited from October 2003 until his retirement in June 2007, and formerly CFO from 2001 to 2003. He was also Finance Director of GKN plc, Finance Director of Booker plc and spent six years with Mobil Oil.

David Turner is currently a Director of the Great Barrier Reef Foundation

and O'Connell Street Associates.

David Turner brings to the Board a wide range of skills drawn from his business experience in Australia and the United Kingdom as CEO, CFO, Chairman and Non-Executive Director.

David is a resident of New South Wales and is aged 67.

MS CAROLYN KAY



Carolyn Kay has been a member of the Board since 2003 and is also a member of the Audit Committee, Remuneration Committee and Risk Committee. She holds Bachelor Degrees in Law and Arts and a Graduate Diploma in Management.

Carolyn has over 25 years of experience in the finance sector, both domestically and internationally, including working as a finance executive at Morgan Stanley in London and Melbourne, JP Morgan in New York and Melbourne and as a finance lawyer at Linklaters and Paines in London.

Carolyn Kay is currently a Director of Allens, Brambles Industries Limited, Infrastructure NSW and the Sydney Institute.

Carolyn's combination of an extensive background in international finance and her experience as a Non-Executive Director make her a valuable contributor to the Board across a wide spectrum of issues of strategic importance to the Bank.

Carolyn is a resident of New South Wales and is aged 51.

MR HARRISON YOUNG



Harrison Young has been a member of the Board since 2007. He is Chairman of the Risk Committee and a member of the Audit Committee. From 2003 to 2007 Mr Young was Chairman of Morgan Stanley Australia, and from 1997 to 2003 Vice Chairman of Morgan Stanley Asia. Prior to that, he spent two years in Beijing as Chief Executive Officer of China International Capital Corporation. From 1991 to 1994 he was a senior officer of the Federal Deposit Insurance Corporation in Washington.

Harrison Young is Chairman of NBN Co Limited and Better Place (Australia) Pty Limited.

From June 2009 until May 2012 he was a Director of the Bank of England and a Member of its Financial Stability Committee. He is a Director of Humanities 21 Inc and Financial Services Volunteer Corps.

Harrison Young brings to the Board combined investment banking and regulatory experience gained in the United States, Asia and most recently

in the United Kingdom. In his role as Chairman of the Risk Committee, Mr Young's long experience in banking enables him to contribute to the Committee's role of assisting the Board to understand the risks the Group faces and approving or recommending appropriate responses to those risks.

Harrison is a resident of Victoria and is aged 67.

AGENDA ITEM 3

Non-Binding Resolution on Remuneration Report

Section 250R of the Corporations Act 2001 (Cth) requires a publicly listed company to put a resolution to shareholders to adopt the company's Remuneration Report.

The Remuneration Report can be found at pages 69 to 88 of the Bank's Annual Report for the year ended 30 June 2012. It sets out the remuneration arrangements for the Key Management Personnel (who are comprised of the Bank's Directors, the Chief Executive Officer and Group Executives).

The Bank's remuneration structure is designed to align executive and shareholder interests, retain talent and support long term value creation by providing employees with competitive remuneration and valuable rewards for outstanding performance. The Board obtains independent input to confirm the appropriateness of these arrangements.

The vote on this resolution is advisory only and does not bind the Directors or the company.

AGENDA ITEM 4

Grant of Securities to Ian Mark Narev under the Group Leadership Reward Plan

ASX Listing Rule 10.14 requires shareholder approval for the issue of securities to a Director under an employee incentive scheme.

Accordingly, shareholder approval is sought to grant Mr Narev (the Chief Executive Officer and Managing Director) reward rights under the Group Leadership Reward Plan (**GLRP**), in relation to his long term incentive (**LTI**) arrangements.

The GLRP aims to focus the efforts of participants to support superior shareholder returns and customer satisfaction in order to achieve the Bank's vision through long term value creation. Participants in the 2012 GLRP award include Mr Narev and the Bank's Group Executives. No other current Directors are entitled to participate in the GLRP.

If shareholder approval is obtained, the reward rights will be granted to Mr Narev following the 2012 Annual General Meeting, and in any event no later than 12 months after the date of this meeting. The reward rights will be granted at no cost to Mr Narev. Participants in the GLRP are not provided any loans in relation to their participation in the plan.

Mr Narev's award will be split into two portions:

- 75% of the award will be subject to a performance hurdle which ranks

the Group's Total Shareholder Return (**TSR**) relative to a peer group comprising the 20 largest companies by market capitalisation listed on the Australian Securities Exchange (**ASX**) at the beginning of the performance period, excluding resources companies and CBA.

- 25% of the award will be subject to a performance hurdle which ranks the Group's Customer Satisfaction performance relative to a peer group of Australia & New Zealand Banking Group Limited (**ANZ**), National Australia Bank Limited (**NAB**), Westpac Banking Corporation (**WBC**) and other key competitors for our wealth business.

The total number of reward rights (if any) that vest will not be known until after the end of the performance period (which is 30 June 2016). The reward rights will be tested against the Bank's TSR and Customer Satisfaction performance, as set out below:

- For the TSR performance component, full vesting will occur where the Bank's TSR ranking at the end of the performance period to 30 June 2016 is in the top quarter of the peer group (ie. 75th percentile or higher). Half of this component will vest if the Bank's TSR is ranked at the median of the peer group. Vesting of between 50% and 100% will occur on a pro-rata straight-line basis if the Bank is ranked between the median and below the 75th percentile.
- For each business area, the ranking for each customer satisfaction survey

over the four year performance period is straight-line averaged. These average rankings are then weighted by each business area's contribution to Net Profit After Tax. This gives the weighted average ranking for the Group. Full vesting for this component will occur where the weighted average ranking for the Group is 1st (ie 1.00). Half of this component will vest if the Group's weighted average ranking is 2nd (ie 2.00). Vesting of between 50% and 100% will occur on a pro-rata straight line basis if the Group's weighted average ranking is between 2nd and 1st (ie between 2.00 and 1.00). The Group's weighted average ranking using this methodology over the 12 months to 30 June 2012 was 2.00.

Any vesting under the GLRP is subject to Board discretion. If circumstances warrant it, the Board may adjust vesting outcomes if they are not considered reflective of actual performance. The Board may also adjust the performance hurdles where unforeseen developments occur, if it considers the adjustment is fitting in light of the intent and purpose of the GLRP. Any such adjustment would be explained in the Bank's Annual Report.

While the current policy of the Bank is to acquire ordinary shares on market for vested LTI awards, the Bank has flexibility under the rules of the GLRP to issue new shares instead.

Dividends (or their cash equivalent) are only paid if reward rights vest.

Number of reward rights to be granted to Mr Narev

If shareholder approval is obtained, a maximum of 78,681 reward rights will be granted to Mr Narev. The face value of these rights is \$4,111,082 based on the volume weighted average price (**VWAP**) of the Bank's ordinary shares over the five trading days up to and including 1 July 2012 (reflecting the beginning of the performance period). The VWAP for the 2012 grant is \$52.25. The present value of the award of 78,681 reward rights is \$2,500,000.

This has been calculated by an independent actuary allowing for expected share price and dividend performance as well as performance against the performance hurdles over the four year period using a Monte-Carlo simulation valuation methodology. Of the 78,681 reward rights to be granted, 59,011 reward rights may vest depending on CBA performance against the TSR performance hurdle, and 19,670 reward rights may vest depending on CBA performance against the customer satisfaction hurdle.

Treatment of reward rights if Mr Narev leaves the Group

In general, if Mr Narev resigns or is dismissed before the grant of reward rights vest, he will forfeit any entitlement under the GLRP. In certain circumstances (including ill-health retirement or other reasons approved by the Board), Mr Narev may continue to be entitled to unvested entitlements under the GLRP, unless the Board

determines that the grant vests or lapses on cessation of employment.

If the entitlements do not vest or lapse, the GLRP performance hurdles will continue to apply until the outcome is determined at the end of the performance period. Subject to Board discretion, reward rights may vest as shares or a cash equivalent.

Participants under Previous Approval

At the 2011 Annual General Meeting, shareholders approved the granting to Mr Narev of reward rights under the GLRP. Mr Narev was subsequently granted 81,620 reward rights which are subject to the terms of the GLRP. No price is or was payable for the acquisition of those reward rights. No other reward rights have been granted to Directors under the GLRP since the 2011 Annual General Meeting.

The Board recommends that shareholders support the resolution.

AGENDA ITEM 5

Approval of Selective Buy-Back Agreement relating to the Preference Shares that form part of PERLS IV Stapled Securities

Background

In July 2007, the Bank issued 7,325,000 Perpetual Exchangeable Resaleable Listed Securities (**PERLS IV**) with a face value of A\$200 each to raise A\$1,465m. PERLS IV are stapled securities comprising:

- a Preference Share issued by the Bank; and
- an unsecured subordinated Note issued by the Bank's New York branch.

The two securities are restricted from being traded separately.

PERLS IV are listed on the Australian Securities Exchange. The full terms of the Preference Shares and Notes are set out in Appendices A and B, respectively, of the PERLS IV Prospectus dated 1 June 2007. The Prospectus may be viewed and downloaded from the Shareholder Centre at www.commbank.com.au. Unless otherwise defined, capitalised terms used in this section have the same meaning as in the terms of the Preference Shares and the Notes, which collectively comprise the PERLS IV terms.

The PERLS IV terms require that the Bank convert PERLS IV into ordinary shares of the Bank on the Mandatory

Conversion Date (31 October 2012) unless the Bank elects to arrange a Resale or to Repurchase PERLS IV (each under the PERLS IV terms) or otherwise deals with them (for example, buys them back on-market). The Bank proposes to conduct an on-market buy-back of PERLS IV (**On-Market Buy-Back**) followed by a Resale of any remaining PERLS IV because it does not wish to convert PERLS IV to ordinary shares. The Bank has sufficient ordinary share capital above the Board approved target described in the Bank's Profit Announcement for the full year ended 30 June 2012.

At the time of printing this document:

- the On-Market Buy-Back is expected to occur on 12 October 2012; and
- the Resale is expected to occur on 31 October 2012.

The last closing price of PERLS IV on ASX on 31 August 2012 was \$200.

A number of holders are expected to sell their PERLS IV into the On-Market Buy-Back, which will reduce the number of PERLS IV which need to be bought through the Resale. This includes holders who choose to participate in the 'Reinvestment Offer' as part of the Bank's offer of its new Tier 1 hybrid, Perpetual Exchangeable Resaleable Listed Securities (**PERLS VI**). Participants in the Reinvestment Offer will have their PERLS IV sold into the On-Market Buy-Back and the proceeds reinvested in PERLS VI.

Under the Resale, Morgan Stanley Australia Securities Limited (**Resale**

Broker) will buy all outstanding PERLS IV from holders for their face value (ie A\$200 per PERLS IV). Upon completion of the Resale, the Resale Broker will hold all outstanding PERLS IV.

The Bank will agree with the Resale Broker to buy back off-market some or all of the PERLS IV that the Resale Broker holds after the Resale (**Off-Market Buy-Back**). Any PERLS IV bought by the Bank via the Off-Market Buy-Back will be cancelled. Any PERLS IV held by the Resale Broker that the Bank does not buy under the Off-Market Buy-Back will be converted into ordinary shares. The Off-Market Buy-Back is expected to be effected very shortly following the Resale.

Why are we seeking shareholder approval?

The Off-Market Buy-Back will be treated as a selective buy-back under the Corporations Act 2001 (Cth) (**Corporations Act**) because it relates to the Preference Shares. The Corporations Act requires that the terms of a buy-back agreement in relation to the Preference Shares be approved by a special resolution passed at a general meeting of the Bank, with no votes being cast in favour of the resolution by any person whose Preference Shares are proposed to be bought back or by their associates (as defined in the Corporations Act).

The maximum number of PERLS IV that may be bought back off-market will not be known before completion of the On-Market Buy-Back. As noted

above, the On-Market Buy-Back is expected to occur on 12 October 2012. Information about purchases by the Bank under the On-Market Buy-Back will be announced to ASX before the AGM.

Accordingly, the Board is seeking shareholder approval for the Off-Market Buy-Back to extend to up to all PERLS IV currently on issue (ie up to 100% of the 7,325,000 PERLS IV).

Summary of the terms of the Off-Market Buy-Back

The Bank and Resale Broker will, subject to shareholder approval for the Off-Market Buy-Back being obtained, enter into a buy-back agreement. Under that agreement, the Resale Broker will sell, and the Bank will buy back, a number of the PERLS IV held by the Resale Broker for A\$200 per PERLS IV. This buy-back will be conducted off-market and may be for up to all PERLS IV held by the Resale Broker following the Resale. The Bank will specify the number of PERLS IV to be bought back based on the outcome of the On-Market Buy-Back, among other matters.

The Preference Shares that are transferred to the Bank under the Off-Market Buy-Back will be cancelled and the Notes will cease to exist by operation of law.

The Off-Market Buy-Back will occur at a time when the only holder of PERLS IV is the Resale Broker, and therefore none of the above terms have any impact on the current holders of PERLS IV or the holders of PERLS IV at any time up until the time of the Resale.

No Director of the Bank has any interest in the Off-Market Buy-Back.

Financial effect of the Off-Market Buy-Back on the Bank

The main financial effect of the Off-Market Buy-Back on the Bank will be the cost of buying back PERLS IV. The Off-Market Buy-Back will require the Bank to make a payment of A\$200 for each PERLS IV that it buys back. The cost of buying back 100% of PERLS IV on issue would be A\$1,465m.

It is expected that the actual cost to the Bank will be less than this amount. This is because PERLS IV holders may choose to participate in the On-Market Buy-Back and the Bank may not buy-back some of the PERLS IV held by the Resale Broker. In both circumstances, the number of PERLS IV that the Bank will buy back will be reduced and the associated total cost will be less.

It is expected that the Off-Market Buy-Back will have no effect on franking credits of the Bank.

Source of funds for the Off-Market Buy-Back

The Bank has announced an offer of a new PERLS VI Tier 1 hybrid, as part of the Bank's conservative and proactive approach to capital management. If the PERLS VI offer is completed, the Bank will use the proceeds from the PERLS VI offer to the extent necessary to fund the Off-Market Buy-Back or may be able to consider other funds.

Effect of Off-Market Buy-Back on the control of the Bank

Holders of PERLS IV are entitled to vote (together with the holders of ordinary shares of the Bank) on a limited number of matters, including any proposal to wind-up the Bank or any proposal to vary the rights attaching to PERLS IV. In those limited circumstances, the total number of votes capable of being cast by the holders of PERLS IV would be up to 7,325,000, equivalent to less than 0.5% of the total votes able to be cast on those matters. The Off-Market Buy-Back will result in the Preference Shares conferring those voting rights being cancelled. Accordingly, the Board considers that the Off-Market Buy-Back will have no effect on control of the Bank.

What are the advantages of approving the Off-Market Buy-Back?

There are several advantages of approving the Off-Market Buy-Back. These include:

- There will be no dilution for existing ordinary shareholders as a result of conversion of PERLS IV to ordinary shares (subject to the possibility of the Bank not buying back all of the PERLS IV held by the Resale Broker and instead converting the balance).
- Neither PERLS IV nor any ordinary shares into which they have converted will be held by the Resale Broker. Should the Bank not buy back all PERLS IV held by the Resale Broker, the Resale Broker will be free to deal

with any ordinary shares it holds following conversion of any residual PERLS IV in its complete discretion (including to sell some or all of the ordinary shares on market at any time). There is the risk that if the Resale Broker comes to hold a significant parcel of ordinary shares, it may sell a significant volume quickly, resulting in potential downward pressure on the Bank's ordinary share price.

What are the disadvantages of approving the Off-Market Buy-Back?

A potential disadvantage of the Off-Market Buy-back is that upon completion, the Bank would have a reduced capital base. However, this is consistent with the Bank's conservative and proactive approach to capital management. In addition, the Bank will not conduct the Off-Market Buy-Back unless it is satisfied that doing so will not have a material adverse impact on the Bank's financial or regulatory capital position, or materially prejudice the Bank's ability to pay its creditors.

Voting Exclusion Statement for Item 5

Holders of PERLS IV have voting rights on buy-back resolutions in accordance with the terms of the Preference Shares. Each holder of PERLS IV will be entitled to one vote on a show of hands or, on a poll, one vote per PERLS IV that they hold. Holders of ordinary shares have their normal voting rights. Accordingly, holders of

both ordinary shares and PERLS IV will be entitled to vote on Item 5.

As required by the Corporations Act, the Bank will disregard any votes cast in favour of Item 5 by the Resale Broker or any associate (as defined in the Corporations Act) of the Resale Broker. However, the Bank need not disregard a vote if it is cast by the Resale Broker or its associates:

- in respect of ordinary shares or PERLS IV held on behalf of a person who is entitled to vote if the proxy is directed how to vote and the holder does not exercise discretion in casting the vote; or

- as a proxy for a person who is entitled to vote and if the proxy is directed how to vote and the vote is cast in accordance with those directions.

Board recommendation and other information

There is no other information known to the Board which may be material to the decision on how to vote in relation to Item 5 which the Bank has not previously disclosed to its shareholders.

The Board recommends that shareholders support the resolution.

VOTING EXCLUSION STATEMENT FOR ITEMS 3 AND 4

The Bank will disregard any votes cast on Item 3 by a member of the Key Management Personnel or former member of the Key Management Personnel whose remuneration details are disclosed in the 2012 Remuneration Report or their closely related parties. However, the Bank will not disregard a vote if:

- it is cast by the Chairman as proxy appointed in writing, in accordance with a direction on the proxy form to vote as the proxy decides; or
- it is cast by a member of the Key Management Personnel or former member of the Key Management Personnel whose remuneration details are disclosed in the 2012 Remuneration Report or their closely related parties as proxy appointed in writing that specifies how the proxy is to vote,

and the vote is not cast on behalf of a member of the Key Management Personnel or former member of the Key Management Personnel whose remuneration details are disclosed in the 2012 Remuneration Report or their closely related parties.

The Bank will disregard any votes cast on Item 4 by any Directors or their associates. However, the Bank will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form, to vote as the proxy decides.

The Bank will also disregard any votes cast on Item 4 by a member of the Key Management Personnel or their closely related parties as proxy for another person where the proxy form does not specify how the proxy is to vote, with the exception that votes cast by the Chairman as proxy appointed in writing, in accordance with a direction on the proxy form to vote as the proxy decides, will not be excluded.



CommonwealthBank 

