

CommonwealthBank



Product Disclosure Statement

PERLS II

Perpetual Exchangeable Resettable Listed Securities

Issued by

Commonwealth Managed Investments Limited

ABN 33 084 098 180 Australian Financial Services Licence No. 235384
as Responsible Entity of the PERLS II Trust ARSN 107 133 488

Date of this Product Disclosure Statement

2 December 2003

Arranger and Joint Lead Manager

CommSec



Underwriter and Joint Lead Manager

Deutsche Bank



Co-Managers

Citigroup Global Markets Australia Pty Limited
Goldman Sachs JBWere Pty Ltd
UBS Private Clients Australia Ltd



Important Notices

Product Disclosure Statement

This Product Disclosure Statement ("PDS") relates to the offer of up to 3.75 million PERLS II at an issue price of \$200 each to raise up to \$750 million with the ability to accept oversubscriptions for up to an additional \$250 million.

PERLS II are units in the PERLS II Trust (ARSN 107 133 488) ("Trust"). Commonwealth Managed Investments Limited ("CMIL" or "Responsible Entity"), a wholly owned subsidiary of Commonwealth Bank of Australia ("the Bank"), is the responsible entity of the Trust and is the issuer of PERLS II offered in this PDS.

This PDS is dated 2 December 2003 and a copy of this PDS was lodged with the Australian Securities and Investments Commission ("ASIC") on that date. ASIC and Australian Stock Exchange Limited ("ASX") take no responsibility for the contents of this PDS.

PERLS II are not and differ in several key respects from Commonwealth Bank PERLS. See Section 2.

PERLS II are not issued by the Bank

The Bank and its subsidiaries do not guarantee the performance of the Trust or PERLS II, the payment of distributions by the Trust or the repayment of capital of the Trust. An investment in the Trust is not an investment in or deposit with the Bank or its subsidiaries. Except as expressly stated in this PDS, an investment in the Trust is not an investment in or a liability of the Bank or its subsidiaries. The Convertible Notes that the Trust will invest in are a primary obligation of the Bank. The Convertible Notes are not secured, nor are obligations in respect of PERLS II. Investment-type products are subject to investment risk, including possible delays in repayment and loss of income and principal invested.

No representations other than this PDS

Potential investors should rely only on the information in this PDS. No person is authorised to give any information or to make any representation in connection with the offer of PERLS II that is not contained in this PDS. Any information or representation that is not in this PDS may not be relied upon as having been authorised by CMIL, the Bank or any associate of the Bank in connection with the Offer. Except as required by law and then only to the extent so required, none of CMIL, the Bank or any associate of the Bank warrants the future performance of the Trust or the Bank or any return on any investment made pursuant to this PDS.

This is not investment advice. You should seek your own financial advice.

The information provided in this PDS is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. You should read the whole of this PDS and consider all of the risk factors that could affect the performance of the Trust and PERLS II and other information concerning PERLS II in light of your own particular investment objectives, financial circumstances and particular needs before deciding whether

to invest in PERLS II. If you have any questions, you should contact your stockbroker, accountant or other professional adviser for financial advice before deciding whether to invest in PERLS II. Some of the risk factors that should be considered are set out in Section 5.

How to obtain a PDS and Application Form

Printed PDS

Printed copies of this PDS and Application Forms are available free of charge during the Offer Period to persons in Australia by calling the **PERLS II Information Line on 1800 022 440**.

You must apply for PERLS II in the manner set out in Section 3.

Electronic PDS

A copy of this PDS is available online at CommSec's website at www.commsec.com.au. An Application Form will not be available at CommSec's website until the Opening Date.

Persons who receive a copy of this PDS in electronic format from the CommSec website are entitled to obtain a paper copy of the PDS (including the Application Form) free of charge by contacting the **PERLS II Information Line on 1800 022 440**.

The following conditions apply if this PDS is accessed electronically:

- You must download the PDS in its entirety from the CommSec website;
- Your application will only be considered where you have applied on an Application Form that accompanied the electronic PDS. By making an application, you declare that you were given access to the electronic PDS together with the Application Form; and
- The PDS is only available electronically to persons accessing and downloading or printing the electronic version of the PDS in Australia.

Application Forms must be mailed or delivered to ASX Perpetual Registrars in the manner set out in Section 3, or for online Applications completed in the manner set out in Section 3.

Exposure Period

The Corporations Act prohibits the issue of PERLS II in the seven day period after the date of lodgement of the PDS with ASIC. This is the Exposure Period. The Exposure Period may be extended by ASIC by up to a further seven days. No PERLS II will be issued during the Exposure Period.

No cooling-off rights apply to the issue of PERLS II

Cooling-off rights do not apply to an investment in PERLS II. This means that, in most circumstances, you cannot withdraw your Application once it has been made.

Refunds

If you are allotted less than the number of PERLS II you applied for you will receive a refund cheque as soon as practicable after the Closing Date. No interest will be payable on Application Monies. Any interest earned on the Application Monies will be retained by CMIL.

Trading in PERLS II

It is your responsibility to determine your Allocation before trading PERLS II to avoid the risk of selling PERLS II you do not own.

To assist you in determining your Allocation prior to receipt of your holding statement, you may call the PERLS II Information Line on 1800 022 440 to seek information on your Allocation.

If you sell PERLS II before you receive confirmation of your Allocation, you do so at your own risk.

Offering restrictions

The Offer is only being made to persons in Australia. No action has been taken to register PERLS II or otherwise permit a public offering of PERLS II in any jurisdiction outside of Australia.

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this PDS in jurisdictions outside Australia may be restricted by law. Persons who come into possession of this PDS who are not in Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

In particular, PERLS II have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the "Securities Act") or the laws of any State of the United States and may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons. Each Joint Lead Manager and each Co-Manager has agreed that it will not offer, sell or deliver PERLS II (i) as part of their distribution at any time or (ii) otherwise until 40 days after the dispatch of holding statements for PERLS II within the United States or to, or for the account or benefit of U.S. persons, and it will have sent to each dealer to which it sells PERLS II during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of PERLS II within the United States or to, or for the account or benefit of U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the Offer, an offer or sale of PERLS II within the United States by any dealer that is not participating in the Offer may violate the registration requirements of the Securities Act.

Enquiries

If you have any questions in relation to the Offer or PERLS II please call the **PERLS II Information Line on 1800 022 440** or **CommSec on 13 15 19** or contact your stockbroker, accountant or professional adviser.

Financial Amounts

All financial amounts contained in this PDS are expressed in Australian dollars unless otherwise stated.

Definitions

Some words used in this PDS have defined meanings which are in the Terms of Issue in Appendix A or in the Glossary in Appendix B.

Updating the PDS

Information contained in this PDS is subject to change from time to time and may be updated by CMIL.

Any updated information (which is not materially adverse to investors) will be available from www.commsec.com.au. A paper copy of the updated information is available without charge by contacting CMIL or the **PERLS II Information Line on 1800 022 440**.

Where updated information is materially adverse to investors, CMIL will issue a supplementary PDS.

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Summary of Key Dates

Lodgement of PDS with ASIC	2 December 2003
Opening Date	10 December 2003
General Offer Closing Date	24 December 2003
Broker Firm Offer Closing Date	5 January 2004
Allotment Date	6 January 2004
Commencement of trading of PERLS II on ASX on deferred settlement basis	7 January 2004
Dispatch of holding statements	12 January 2004
Commencement of trading on normal settlement basis	13 January 2004
First Distribution Date	15 March 2004
First Rollover Date	15 March 2009

Dates may change

These dates are indicative only and are subject to change. CMIL has the right, subject to agreement with the Joint Lead Managers, to close the Offer early, to extend the General Offer Closing Date or the Broker Firm Offer Closing Date without notice or to withdraw the Offer at any time prior to Allotment of PERLS II. If the General Offer Closing Date or the Broker Firm Offer Closing Date is changed, subsequent dates may also be changed accordingly. You are encouraged to submit your Application as soon as possible after the Opening Date.

Quotation

CMIL will apply to the ASX within seven days after the date of this PDS for PERLS II to be quoted on ASX.

Applications

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

Applications will only be accepted between the Opening Date and the Closing Date.

Chairman's Letter

Dear Investor,

I am pleased to present you with the opportunity to invest in Perpetual Exchangeable Resettable Listed Securities ("PERLS II"). PERLS II are units in the PERLS II Trust and will be issued by Commonwealth Managed Investments Limited ("CMIL"). CMIL is a wholly owned subsidiary of Commonwealth Bank of Australia and is the responsible entity of the PERLS II Trust.

The offer of PERLS II forms part of the Bank's continuing capital management program. The issue of PERLS II will raise capital that will be used for the Bank's general funding purposes.

PERLS II offer investors a floating Distribution Rate, payable quarterly (other than in respect of the first Distribution Period which is expected to be 70 days) in arrears. The Distribution Rate on PERLS II will vary each quarter and will initially be set at 70% of the sum of the Market Rate per annum (which is the Bank Bill Swap Rate for 90 day bills) and the Initial Margin, which is 0.95% per annum. Distributions paid on PERLS II are expected to be fully franked.

PERLS II have no maturity date. However, investors have the right to exchange PERLS II on each Rollover Date, the first of which will be 15 March 2009. On exchange, investors will receive, at the Bank's election, Ordinary Shares or cash for each PERLS II. Investors wanting to realise their investment prior to a Rollover Date can sell their PERLS II on the Australian Stock Exchange at the prevailing market price. There can be no assurance as to what that price will be.

CMIL intends to issue up to 3.75 million PERLS II at an Issue Price of \$200 each to raise up to \$750 million and may accept oversubscriptions of up to \$250 million. The minimum investment is \$5,000 or 25 PERLS II.


Full details of this investment opportunity are set out in this Product Disclosure Statement ("PDS") and I urge you to read it carefully.

To apply for PERLS II, you will need to fill out the Application Form accompanying this PDS. Applications can only be made on this form. If you have any questions about how to apply, information and assistance can be obtained by calling the **PERLS II Information Line on 1800 022 440**. If you are unsure whether PERLS II are an appropriate investment for you, I encourage you to consult your stockbroker, accountant or other professional adviser.

The Offer is expected to open on 10 December 2003 and close on 24 December 2003. However, it is possible that the Offer may close early so I encourage you to lodge your Application as soon as possible.

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

Yours faithfully,



John Ralph AC
Chairman
Commonwealth Bank of Australia

What you need to do to apply for PERLS II

If you want to apply for PERLS II you need to complete the following steps:

CONSIDER this INVESTMENT OPPORTUNITY

Read this PDS in full, paying particular attention to the:

- Important Notices set out on the inside front cover of this PDS
- Answers to key questions about PERLS II set out in Section 2
- Risks that may be associated with investing in PERLS II set out in Section 5

Consider all the risk factors and other information concerning PERLS II in view of your own particular investment objectives, needs and circumstances.

Consult your stockbroker, accountant or other professional adviser if you have any questions, before deciding whether to invest in PERLS II.

If you have any questions on how to apply, call the **PERLS II Information Line on 1800 022 440**.

COMPLETE an APPLICATION FORM

Complete the Application Form accompanying this PDS (see below about applying over the Internet). Photocopied Application Forms cannot be accepted. Please follow the instructions on how to complete the Application Form.

When you have completed your Application Form, you must pay for your PERLS II by cheque and/or money order in Australian currency. Do not send cash. Cheques and/or money orders should be crossed "not negotiable" and made payable to "PERLS II Offer" (unless you are applying under the broker firm offer in which case, please see Section 3).

You may also apply for PERLS II over the Internet. To do so, you will need to visit CommSec's website at www.commsec.com.au and follow the instructions. Before applying over the Internet, you will need to download a copy of the PDS.

If you apply for PERLS II over the Internet, you can choose to pay either by BPay or cheque. CommSec clients may also use the available direct debit facilities.

MAIL or DELIVER

Return your completed Application Form (unless you have applied over the Internet) and Application Monies (unless you are applying under the broker firm offer in which case, please refer to Section 3) by:

Mailing to:	or	Delivery to:
PERLS II		PERLS II
Locked Bag A14		C/- ASX Perpetual Registrars Limited
Sydney South NSW 1232		Level 8, 580 George Street
		Sydney NSW 2000

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

Your completed Application Form and accompanying cheques and/or money orders must be received by the Registry no later than:

- if you are applying under the General Offer – the General Offer Closing Date – which is expected to be 12:00 noon on 24 December 2003; or
- if you have received a broker firm Allocation – once the Application Form and accompanying cheques and/or money orders have been forwarded to your broker they will arrange settlement on your behalf by the Closing Date which is expected to be 10:00 am on 6 January 2004.

The Offer may close early, so you are encouraged to lodge your Application Form and payment promptly.

PERLS II Key Features

Floating Distribution Rate

- Investors will receive a floating rate return from a combination of cash distributions and franking credits¹. The return is calculated each quarter as the sum of the Bank Bill Swap Rate for 90 day bills per annum plus a Margin per annum
- The Initial Margin is 0.95% per annum
- Assuming the Bank Bill Swap Rate for 90 day bills is 5.4083% per annum, then the total return including value for franking credits would be 6.3583% per annum and the cash distribution would be 4.4508% per annum² calculated by multiplying the total return by (1 – corporate tax rate)
- Distributions are payable quarterly³ in arrears (subject to satisfaction of certain conditions)

Preferred Distributions

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

Resettable Terms

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

Exchangeable for Ordinary Shares or \$200 cash

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

Quoted on ASX

- CMIL is applying to have PERLS II quoted on ASX
- CMIL will refund all Application Monies if PERLS II are not quoted on ASX

PERLS II are different to Commonwealth Bank PERLS

- PERLS II are units in a trust (not preferred shares of the Bank) and they differ in several key respects from PERLS. See Section 2 for further details

Credit Ratings⁴

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

¹ Australian resident individuals and complying superannuation fund taxpayers may be entitled to a refund of excess franking credits. Investors should seek professional advice in relation to their tax position.

² The Bank Bill Swap Rate for 90 day bills on 28 November 2003 was 5.4083% per annum.

³ The first Distribution Period is expected to be 70 days instead of a full quarter.

⁴ Issues rated BBB- or higher by Standard & Poor's and Baa3 by Moodys Investor Services are investment grade.

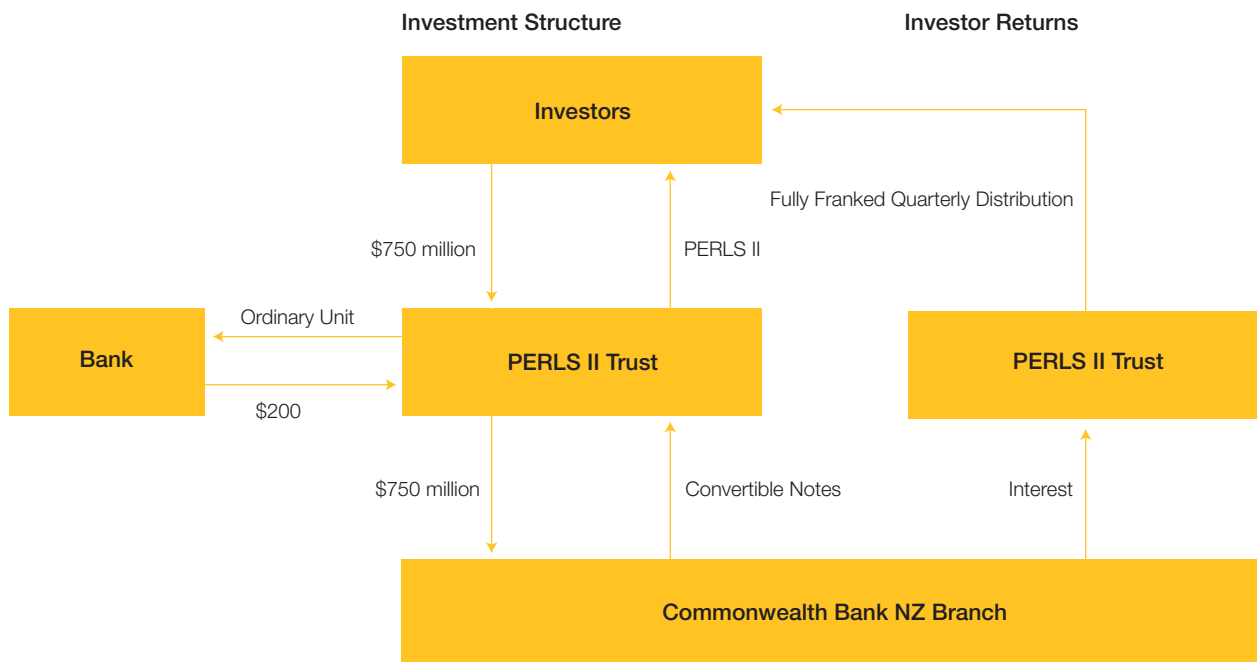
Section 1

Summary of PERLS II

Section 1 Summary of PERLS II

Through the PERLS II Offer Commonwealth Managed Investments Limited (“CMIL”) proposes to raise up to \$750 million and may accept oversubscriptions of up to \$250 million.

The diagram below sets out the Offer structure. Commonwealth Bank of Australia (“the Bank”), through its New Zealand Branch, will issue Australian dollar denominated Convertible Notes, which will be held by the PERLS II Trust (“the Trust”). Commonwealth Managed Investments Limited (“CMIL”) is the responsible entity of the Trust. The Bank holds the only Ordinary Unit in the Trust (see Section 9). The Trust will issue PERLS II to investors:



Note: The Offer is underwritten to \$750 million. If the Offer is oversubscribed and CMIL elects to accept oversubscriptions, the proceeds of the Offer will be greater than \$750 million. See Section 9.

Set out below is a summary of the key terms and conditions of PERLS II. A summary of the key differences between PERLS II and PERLS can be found in Section 2. This information is a summary only, and should be read in conjunction with other information contained in this PDS, in particular, the detailed PERLS II Terms of Issue included in Appendix A.

Securities	Perpetual Exchangeable Resettable Listed Securities being units in the PERLS II Trust, a registered managed investment scheme (“PERLS II”).
Issuer	CMIL as responsible entity of the Trust.
Issue Amount	Up to \$750 million with ability to accept oversubscriptions of up to \$250 million.
Term	Perpetual unless exchanged in accordance with its terms.
Issue Price/ Face Value	\$200
Distributions	The Distribution on each PERLS II payable for each Distribution Period is equal to: $\frac{\text{Face Value} \times \text{Distribution Rate} \times \text{Days in Distribution Period}}{365}$

365

Distributions from the Trust are non-cumulative and are payable quarterly in arrears (other than in respect of the first Distribution Period which is expected to be 70 days).

Section 1 Summary of PERLS II

The Distributions paid to PERLS II Holders will be sourced from interest paid on the Convertible Notes issued by the Bank (through its New Zealand Branch) to CMIL as responsible entity of the Trust. The payment of interest on the underlying Convertible Notes and Distributions on the PERLS II is not guaranteed and is subject to a number of conditions (see “Will Distributions always be paid?” in Section 2).

Distribution Rate	The Distribution Rate is a floating rate calculated for each Distribution Period as the sum of the Margin per annum plus the Market Rate per annum multiplied by (1- Australian corporate tax rate). The corporate tax rate is 30% at the date of this PDS.
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Market Rate	The Market Rate is the Bank Bill Swap Rate per annum for 90 day bills applying on the first Business Day of each Distribution Period.
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Initial Margin	The Initial Margin is 0.95% per annum.
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Franking	The Bank expects Distributions to be fully franked. If CMIL gives notice that a Distribution in any Distribution Period will not be fully franked, PERLS II Holders may elect to exchange their PERLS II on the next Distribution Date.
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Dividend Stopper	<p>If any Distribution is not paid in full within 20 Business Days after a Distribution Date, the Bank must not pay any interest, declare or pay any dividend or distribution from the income or capital of the Bank, return any capital or undertake any buy-backs, redemptions or repurchases in relation to any securities of the Bank that rank equally for interest payments or distributions with, or junior to, the Convertible Notes, Preference Shares or Alternative Securities (other than certain payments and distributions including pro rata payments, on PERLS II, the Convertible Notes, Preference Shares or Alternative Securities and any Capital Securities of the Bank that rank equally with the Convertible Notes, Preference Shares or Alternative Securities) unless and until either:</p> <ul style="list-style-type: none">• four consecutive Distributions are paid in full;• the Bank (with the approval of APRA) and CMIL have paid PERLS II Holders an amount or amounts (in aggregate) equal to their full distribution entitlements for four consecutive Distribution Periods; or• PERLS II Holders pass a Special Resolution approving the payment, dividend, distribution, capital return, buy-back, redemption or repurchase.
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Rollover Dates and Reset Terms	<p>The first Rollover Date will be 15 March 2009. On this date and each subsequent Rollover Date, the Bank can (subject to certain constraints) reset some of the terms of its Convertible Notes including the Margin (see “What terms may be reset on a Rollover Date?” in Section 2). The Margin and other features of PERLS II will be changed automatically to reflect any change to the relevant terms of the Convertible Notes.</p> <p>CMIL must give notice to PERLS II Holders of the new terms at least 50 Business Days prior to a Rollover Date. PERLS II Holders may request that their PERLS II be exchanged on the Rollover Date. PERLS II Holders who do not request exchange will be deemed to have accepted the new terms offered.</p>
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Holder Exchange	<p>PERLS II Holders may request that their PERLS II be exchanged:</p> <ul style="list-style-type: none">• on a Rollover Date;• upon the occurrence of a Change of Control Event; or• if CMIL gives notice that a Distribution will not be fully franked for any Distribution Period. <p>On exchange, PERLS II Holders will receive, at the Bank’s election, for their PERLS II one or a combination of the following alternatives:</p> <ul style="list-style-type: none">• the number of Ordinary Shares determined as set out below; or• \$200 cash (subject to APRA approval).
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Section 1 Summary of PERLS II

Bank Exchange	<p>The Bank, subject to APRA approval, may exchange some or all of the PERLS II, at its election, for Ordinary Shares or \$200 cash for each PERLS II:</p> <ul style="list-style-type: none">(i) on a Rollover Date;(ii) if a Regulatory Event or Tax Event occurs;(iii) if the Responsible Entity is removed or retires as responsible entity of the Trust and the Bank has not given its consent to the change of the responsible entity;(iv) if PERLS II Holders requisition a meeting to approve an amendment to the Constitution or to remove the Responsible Entity as responsible entity of the Trust and the Bank has not given its consent to such amendment or change of responsible entity;(v) if the ability of the Responsible Entity to redeem PERLS II is impaired or removed; or(vi) if the aggregate Face Value of PERLS II is less than \$50 million.
Automatic Exchange	<p>PERLS II will automatically exchange for Ordinary Shares if:</p> <ul style="list-style-type: none">• a Default Event occurs (which includes insolvency events relating to the Bank or the Bank making a payment in violation of the Dividend Stopper); or• an APRA Event occurs (which includes where APRA has determined that the Bank has failed to comply with capital adequacy ratios or has requested the Bank to increase its capital or has appointed a statutory manager to the Bank or the Bank's retained earnings fall below zero).
Exchange for Ordinary Shares	<p>The number of Ordinary Shares to be issued for each PERLS II being exchanged will be the lesser of the Maximum Conversion Number and the number of Ordinary Shares calculated by dividing the Face Value by the amount determined by multiplying the average of the daily volume weighted average sale price of Ordinary Shares traded on ASX during the 20 Business Days immediately preceding the relevant Exchange Date by (1- Discount Factor). The Discount Factor will be 0.025 (2.5%) unless exchange occurs in relation to the events set out in paragraphs (iii), (iv) and (v) under "Bank Exchange" in which case it will be zero.</p>
Maximum Conversion Number	<p>100 subject to adjustment in accordance with the PERLS II Terms of Issue.</p>
Ranking	<p>PERLS II are not bank deposits or debt instruments of the Bank or any subsidiary of the Bank, although the Convertible Notes underlying the PERLS II are issued by the Bank.</p> <p>PERLS II effectively rank equally with PERLS and Trust Preferred Securities, and ahead of Ordinary Shares, for payment of distributions out of the profits of the Bank.</p> <p>On a winding up of the Bank, PERLS II will automatically be exchanged for Ordinary Shares. The rights of holders of Ordinary Shares to receive a return of capital on a winding up of the Bank rank after the claims of creditors and holders of preferred securities (such as PERLS and preference shares issued on conversion of the Trust Preferred Securities). The claims of creditors include all deposits made with the Bank, including ordinary bank account deposits.</p>
Listing	<p>Application will be made to ASX to have PERLS II listed.</p>

Risks

There are general risks associated with investing in the PERLS II, as well as risks associated with the Bank. These risks are set out in Section 5.

You should read the whole of this PDS carefully. If you are unclear in relation to any matter or uncertain if PERLS II are a suitable investment, you should consult your stockbroker, accountant or other professional adviser.

Enquiries

If you require assistance to complete the Application Form, or require additional copies of this PDS, you should contact the **PERLS II Information Line on 1800 022 440**.

By submitting a valid Application Form, the applicant acknowledges having received and read this PDS.

Section 2

Key Questions about PERLS II

Section 2 Key Questions about PERLS II

This Section answers some of the questions that you may have about PERLS II. These answers are intended as a guide only. Further details are provided elsewhere in this PDS, which should be read in its entirety. The PERLS II Terms of Issue are set out in full in Appendix A.

What are PERLS II?

PERLS II are units in the PERLS II Trust (“Trust”), a registered managed investment scheme, and PERLS II is an abbreviation of Perpetual Exchangeable Resettable Listed Securities. PERLS II entitle PERLS II Holders to Distributions that are expected to be fully franked.

The Distributions payable to PERLS II Holders will be sourced from interest paid on Convertible Notes issued by the Bank (through its New Zealand Branch) to CMIL as responsible entity of the Trust. CMIL will hold one Convertible Note for each PERLS II issued. Distributions will be payable quarterly in arrears until the first Rollover Date (other than in respect of the first Distribution Period which is expected to be 70 days). In certain limited circumstances, Distributions may not be payable.

Certain terms of PERLS II are resettable on each Rollover Date.

What is the PERLS II Trust and who is issuing PERLS II?

The Trust is a registered managed investment scheme that has been established by CMIL to issue PERLS II. The issuer of PERLS II is CMIL, the responsible entity of the Trust. CMIL is a wholly owned subsidiary of the Bank.

The Trust is a single purpose trust established only for the purpose of investing in the Convertible Notes or securities issued on conversion of the Convertible Notes.

What is the Offer?

The Offer is for the issue of up to 3.75 million PERLS II at an issue price of A\$200 each to raise up to \$750 million. Oversubscriptions of up to 1.25 million PERLS II (\$250 million) may be accepted. CMIL reserves the right to raise less than \$750 million from this Issue of PERLS II.

What will the Trust do with the proceeds of the Offer?

The Trust will invest the funds from the Offer in Convertible Notes issued by the Bank’s New Zealand Branch. This transaction will deliver the proceeds of the Offer to the Bank, which will be used for general funding purposes.

What are the assets of the Trust?

The Trust will initially hold Convertible Notes issued through the Bank’s New Zealand branch. The Convertible Notes may convert into Preference Shares (or Alternative Securities) in certain circumstances (see “When do the Convertible Notes convert into Preference Shares or Alternative Securities?”).

What is the source of the Trust’s income?

The distributable income of the Trust will be sourced from interest paid on Convertible Notes issued by the Bank’s New Zealand Branch. If the Convertible Notes convert into Preference Shares (or Alternative Securities) the income of the Trust will be sourced from distributions paid on those Preference Shares (or Alternative Securities) (see “When do the Convertible Notes convert into Preference Shares or Alternative Securities?”).

What are the Bank’s obligations?

PERLS II are not deposits with, or securities of, the Bank. The Bank is required to pay interest on the Convertible Notes underlying the PERLS II in accordance with the Convertible Note Deed. Payment of interest on the Convertible Notes and Distributions on the PERLS II are not guaranteed (see “Will Distributions always be paid?”). The Bank is required to exchange PERLS II for either Ordinary Shares or cash (at the Bank’s discretion) in certain circumstances.

Section 2 Key Questions about PERLS II

When will Distributions be paid?

Other than in respect of the first Distribution Period, Distributions on PERLS II are payable quarterly in arrears (subject to certain conditions being satisfied (see “Will Distributions always be paid?”)) on the following dates (Distribution Dates) each year:

- 15 March
- 15 June
- 15 September
- 15 December

The first Distribution Period will commence on the Allotment Date and end on 15 March 2004 and is expected to be a period of 70 days.

Distributions will be paid in Australian dollars and will be paid either by cheque or to a bank account of your choice.

To be entitled to a Distribution, PERLS II Holders must be recorded on the PERLS II register on the Record Date for that Distribution. The Record Date is the day which is four Business Days prior to the relevant Distribution Date.

The timing of payments of Distributions may be varied on a Rollover Date (see “What terms may be reset on a Rollover Date?”).

Will the Distributions be franked?

The Bank expects that Distributions on PERLS II will be fully franked. However, Distributions payable on PERLS II may or may not be fully franked. CMIL must notify PERLS II Holders at least 45 Business Days prior to the end of a Distribution Period if the Distribution for the Distribution Period will not be fully franked. If PERLS II Holders receive a notice that a Distribution will not be fully franked, they may elect to exchange their PERLS II on the next Distribution Date. Details of the exchange process are set out in “What is an exchange?” and “When can a PERLS II Holder request an exchange?”.

How will the Distribution Rate be calculated?

The Distribution Rate is a floating rate and will be set on the first Business Day of each Distribution Period by applying a Margin per annum to the Market Rate per annum (which is the Bank Bill Swap Rate for 90 day bills on that date) and multiplying the sum by (1 – Tax Rate). The Tax Rate

is currently 30%. The Initial Margin is 0.95% per annum. The Market Rate for the first Distribution Period will be the Bank Bill Swap Rate for 90 day bills on the Allotment Date. As an example, if the Market Rate on the Allotment Date was the same as on 28 November 2003, the Distribution Rate for the first Distribution Period would be calculated as follows:

Initial Market Rate	
(i.e. Bank Bill Swap Rate for 90 day bills at 28 November 2003)	5.4083% p.a.
Plus Initial Margin	0.9500% p.a.
	<hr/>
	6.3583% p.a.
	<hr/>
Multiplied by 1 – Tax Rate	0.70
Distribution Rate (first Distribution Period)	4.4508% p.a.

On each Rollover Date, the Bank may reset the Margin (and, therefore, the Interest Rate) on the Convertible Notes. This will have a corresponding effect on the Distribution Rate. The Margin may be changed as set out in “Will the Margin change over time?”.

For the first Distribution Period, the Distribution Rate will be set on the Allotment Date.

How will the Distribution be calculated?

The Distribution payable on each PERLS II for each Distribution Period is calculated in accordance with the following formula:

$$\frac{\text{Distribution Rate} \times \text{Face Value} \times D}{365}$$

where D is the number of days in the Distribution Period.

As an example, if the Distribution Rate was 4.4508%, the Distribution for the first Distribution Period would be calculated as follows:

Face Value	\$200.00
Multiplied by the Distribution Rate	4.4508%
Multiplied by the number of days in the Distribution Period	70
Divided by the number of days in a Year	365
Distribution (first Distribution Period)	\$1.7071

What is the Bank Bill Swap Rate for 90 day bills?

The Bank Bill Swap Rate for 90 day bills 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 Bank Bill Swap Rate for 90 day bills changes to reflect the supply and demand within the cash and currency markets. On 28 November 2003, the Bank Bill Swap Rate for 90 day bills was 5.4083%. The Bank Bill Swap Rate for 90 day bills has varied between 4.18% per annum and 20.50% per annum since July 1983.

Will the Margin change over time?

Unless otherwise permitted by APRA, the Margin cannot be increased above the Initial Margin before 15 March 2019 but the Margin may be decreased on any Rollover Date. For Rollover Dates occurring on or after 15 March 2019, the Margin may be decreased or increased subject to the following limitations (unless otherwise approved by APRA):

- any increase or decrease in the Margin must be calculated in accordance with the formula set out in Section 9;
- any increase in the Margin must not exceed the Margin on the immediately preceding Rollover Date plus 1%; and
- the cumulative increase in the Margin from the Initial Margin must not exceed 1%.

Will Distributions always be paid?

Distributions on PERLS II will only be paid if the Bank pays interest on the Convertible Notes in accordance with the Convertible Note Deed. Interest on the Convertible Notes will only be paid if the board of the Bank (or a committee of the board of the Bank) declares or otherwise resolves to pay the interest and if no Deferral Condition exists.

A Deferral Condition exists if:

- APRA has objected to the interest being paid;
- APRA has stated that the payment would result in the PERLS II no longer being treated as Tier 1 Capital; or
- there is an Insufficient Distributable Profits Circumstance, which means that the interest payable on the Convertible Notes would exceed Distributable Profits.

What is the ranking of Distributions on PERLS II?

The payment of interest on the Convertible Notes will effectively rank equally with payment of dividends on preferred securities issued by the Bank (including PERLS) and payment of distributions on the notes underlying the Trust Preferred Securities but has priority over the payment of dividends on Ordinary Shares. As a result, PERLS II effectively rank:

- equally with the holders of PERLS and Trust Preferred Securities; and
- above the interests of holders of Ordinary Shares,

for distributions out of the profits of the Bank.

What happens if interest on the Convertible Notes is not paid in full?

If the Bank does not pay interest on the Convertible Notes to the Trust, the Responsible Entity will be unable to pay a Distribution to PERLS II Holders on the Distribution Date for the Distribution Period in which this occurs. If the Bank pays some but not all of the interest on the Convertible Notes, PERLS II Holders will receive their pro rata share of this lesser amount.

Distributions on PERLS II are non-cumulative and, therefore, if a Distribution is not paid in full for any particular Distribution Period, a PERLS II Holder will not receive that Distribution unless the Bank, subject to APRA approval, causes the Distribution to be made up.

If interest on the Convertible Notes is not paid in full within 20 Business Days of the Interest Payment Date, the Convertible Notes will convert into Preference Shares or Alternative Securities. If this occurs, Distributions on the PERLS II will subsequently be sourced from distributions paid on the Preference Shares or Alternative Securities.

Section 2 Key Questions about PERLS II

In addition, if a Distribution is not paid in full, the Bank will not be permitted (subject to certain exceptions) to pay interest, distributions or dividends or return any capital or undertake any buy-back, redemptions or repurchases in relation to any of the Bank's securities that rank equally for interest payments and distributions with or junior to the Convertible Notes, Preference Shares or Alternative Shares unless and until:

- four consecutive Distributions are paid in full;
- the Bank (with the approval of APRA) and CMIL have paid PERLS II Holders an amount or amounts (in aggregate) equal to their full Distribution Entitlement for four consecutive Distribution Periods; or
- PERLS II Holders pass a Special Resolution approving the payment.

The exceptions, which are payments the Bank is permitted to pay even if the Distribution is not paid in full, include pro-rata payments on PERLS II, the Convertible Notes, Preference Shares or Alternative Securities and any Capital Securities of the Bank that rank equally with the Convertible Notes, Preference Shares or Alternative Securities.

What are the risks of investing in PERLS II?

There are particular risks associated with investing in PERLS II, as well as general risks associated with the Bank. These risks are set out in Section 5.

What terms may be reset on a Rollover Date?

The Bank may change certain terms of the Convertible Notes with effect from each Rollover Date. As a result of these changes the corresponding terms of the PERLS II will change in an equivalent manner. The specific terms of the PERLS II that may be changed on each Rollover Date are the date of the next Rollover Date, the Margin and the timing of Distribution Dates.

Any resetting of the Margin is subject to APRA approval and must be determined in accordance with APRA Guidelines applying at the time. Resetting of the Margin is also subject to the restrictions set out in "Will the Margin change over time?".

What happens on a Rollover Date?

At least 50 Business Days before a Rollover Date, the Responsible Entity must notify PERLS II Holders of the new reset terms of PERLS II that will apply until the next Rollover Date.

On the day after the Rollover Date, these new reset terms will take effect. PERLS II Holders may, at least 35 Business Days prior to the relevant Rollover Date, notify the Responsible Entity that they wish to exchange some or all of their PERLS II as set out in "When can a PERLS II Holder request exchange?" below. PERLS II Holders who do not elect to exchange are deemed to have accepted the new reset terms for PERLS II.

When do Rollover Dates occur?

The first Rollover Date will occur on 15 March 2009. At each Rollover Date, the Bank has the right to determine the timing of subsequent Rollover Dates which must be at least 12 months after the preceding Rollover Date.

What is an exchange?

Exchange of PERLS II is a process by which PERLS II are, depending on the circumstances, either transferred to the Bank or a third party or redeemed in consideration for, at the Bank's election, either the payment of cash or the issue of Ordinary Shares (or a combination of the two), to PERLS II Holders as set out in further detail in "If my PERLS II are exchanged for Ordinary Shares, what will I receive?" and "If my PERLS II are exchanged for cash, what will I receive?". Exchange can occur:

- where a PERLS II Holder requests exchange (see "When can a PERLS II Holder request exchange?");
- where the Bank requires an exchange (see "When can the Bank require me to exchange my PERLS II?"); or
- where exchange occurs automatically on the occurrence of certain events (see "When will PERLS II be exchanged automatically?").

When can a PERLS II Holder request exchange?

A PERLS II Holder can elect to exchange some or all of their PERLS II:

- (i) on a Rollover Date;
- (ii) if the PERLS II Holder receives notice of a Change of Control Event; or
- (iii) if the PERLS II Holder receives notice that Distributions on PERLS II in any Distribution Period will not be fully franked,

by giving notice to the Bank and the Responsible Entity within the time frames specified in the PERLS II Terms of Issue. PERLS II Holders may request from CMIL a form of notice which can be used to require exchange.

In each case, the Bank may choose between exchanging the PERLS II for Ordinary Shares, cash or a combination of Ordinary Shares and cash. The Bank's ability to elect to pay cash may be subject to APRA approval. The Bank must give notice to the relevant PERLS II Holders of the option it has elected at least 21 Business Days prior to the relevant Exchange Date.

When can the Bank require me to exchange my PERLS II?

The Bank may, subject to APRA approval, require PERLS II Holders to exchange all or a portion of their PERLS II:

- (i) on a Rollover Date;
- (ii) if a Regulatory Event or Tax Event occurs;
- (iii) if CMIL is removed or retires as responsible entity of the Trust and the Bank has not given its consent to the change of the responsible entity;
- (iv) if PERLS II Holders requisition a meeting to approve an amendment to the Constitution or to remove CMIL as responsible entity of the Trust and the Bank has not given its consent to such amendment or change of responsible entity;
- (v) if the ability of the Responsible Entity of the Trust to redeem PERLS II is impaired or removed; or
- (vi) if the aggregate face value of PERLS II is less than \$50 million.

In each case, the Bank may choose between exchanging the PERLS II for cash, Ordinary Shares or a combination of Ordinary Shares and cash. The Bank's ability to elect to pay cash may be subject to APRA approval. In each case, the Bank must provide notice of the relevant event to PERLS II Holders and must specify how many PERLS II of the relevant PERLS II Holder are to be exchanged and whether the exchange will be for cash, Ordinary Shares or a combination of cash and Ordinary Shares.

When will PERLS II be exchanged automatically?

PERLS II will automatically exchange for Ordinary Shares if an APRA Event or a Default Event occurs.

An APRA Event occurs if:

- APRA determines that the Bank has a Tier 1 Capital ratio of less than 5% (or such other percentage as may be required from time to time by APRA) or a Total Capital Adequacy Ratio of less than 8% (or such other percentage as may be required from time to time by APRA);
- APRA issues a written directive to the Bank under applicable banking regulations, legislation or guidelines for the Bank to increase its capital;
- APRA appoints a statutory manager to the Bank or commences proceedings for the winding up of the Bank; or
- the retained earnings of the Bank fall below zero.

A Default Event occurs if:

- the Bank makes a payment in breach of the Dividend Stopper;
- certain insolvency related events occur in relation to the Bank; or
- the bank ceases or suspends the conduct of all of its business.

If one of the above events occurs, PERLS II will automatically exchange for Ordinary Shares unless the Bank cannot issue Ordinary Shares at that time (see "How do PERLS II rank on a winding up of the Bank?").

Section 2 Key Questions about PERLS II

If my PERLS II are exchanged for Ordinary Shares, what will I receive?

If the Bank elects, or is required, to exchange PERLS II for Ordinary Shares, a PERLS II Holder is entitled to receive the number of Ordinary Shares equal to the lesser of 100 Ordinary Shares (the Maximum Conversion Number) or the number of Ordinary Shares calculated in accordance with the following formula:

$$\text{NOS} = \frac{\text{Face Value of \$200}}{\text{WVAP} \times (1 - \text{DF})}$$

Where:

NOS means the number of Ordinary Shares to be issued for each PERLS II being exchanged for Ordinary Shares;

WVAP is calculated by reference to the average of the daily volume weighted average sale prices of Ordinary Shares traded on ASX for each of the 20 Business Days (excluding days on which trading of Ordinary Shares is suspended or does not take place) immediately preceding the relevant Exchange Date; and

DF means the Discount Factor, and is:

- (i) zero, if exchange occurs as a result of the events set out in paragraphs (iii), (iv) and (v) under "When can the Bank require me to exchange my PERLS II?"; and
- (ii) 0.025 (2.5%), in any other case.

Where the number of Ordinary Shares to be issued to a PERLS II Holder in respect of the parcel of PERLS II being exchanged includes a fraction, that fraction will be disregarded.

The WVAP and the Maximum Conversion Number may be adjusted to reflect transactions affecting the capital of the Bank (including capital reconstructions, buy-backs, returns of capital and bonus and rights issues) as set out in the PERLS II Terms of Issue.

If my PERLS II are exchanged for cash, what will I receive?

If the Bank elects to exchange PERLS II for cash, the PERLS II Holder is entitled to receive \$200 (being the Face Value) for each PERLS II exchanged for cash.

When do the Convertible Notes convert into Preference Shares or Alternative Securities?

The Convertible Notes held by the Trust will convert into Preference Shares or Alternative Securities on the earlier of:

- 40 years after the Issue Date ; or
- the Bank failing to pay interest on an Interest Payment Date and that failure continuing unremedied for a period of 20 Business Days.

The Convertible Notes will convert into Preference Shares unless there is a legal impediment to the Bank issuing Preference Shares, in which case, the Convertible Notes will convert into Alternative Securities.

Conversion of the Convertible Notes in these circumstances will only change the nature of the underlying investment held by the Responsible Entity and will not cause an exchange of PERLS II. This means that you will continue to hold your PERLS II.

What are Preference Shares and Alternative Securities?

Preference Shares are securities issued by the Bank paying non-cumulative dividends. The terms of the Preference Shares are summarised in Section 9. Alternative Securities (if required) will be shares or perpetual non-cumulative securities that generally confer the same ranking, rights and benefits as Preference Shares to the extent possible in the opinion of the Bank, having regard to applicable laws and the requirements of relevant regulatory authorities.

Will the circumstances in which PERLS II may be exchanged differ if Convertible Notes convert to Preference Shares or Alternative Securities?

If the Convertible Notes convert into Preference Shares or Alternative Securities, the circumstances in which PERLS II may be exchanged may vary as follows:

- on the occurrence of a Change of Control Event, PERLS II will automatically be exchanged for Ordinary Shares (rather than being exchanged at the election of the PERLS II Holder); and

Section 2 Key Questions about PERLS II

- CMIL may elect to exchange PERLS II if Distributions will not be fully franked (in addition to the right of the PERLS II Holder to elect exchange in these circumstances).

How do PERLS II rank on a winding up of the Bank?

If a Conversion Event occurs (which includes insolvency related events), the Convertible Notes (or the Preference Shares or Alternative Securities if the Convertible Notes have converted) and PERLS II will be automatically converted into Ordinary Shares. The rights of holders of Ordinary Shares to receive a return of capital on a winding up of the Bank rank after the claims of creditors and holders of preferred securities such as PERLS and preference shares issued on conversion of the Trust Preferred Securities. The claims of creditors include all deposits made with the Bank, including ordinary bank account deposits. However, if a Conversion Event occurs and the Preference Shares, Alternative Securities or Ordinary Shares have not been issued and the Bank is in liquidation, the Responsible Entity will only be entitled to assert a claim, on behalf of PERLS II Holders, that ranks equally with the claims of the holders of Ordinary Shares.

Can PERLS II be purchased or sold on ASX?

CMIL will apply for PERLS II to be quoted on ASX. Once quoted, PERLS II can be purchased or sold through any stockbroker. CMIL will refund all Application Monies if PERLS II are not quoted on ASX.

Will I be able to request repurchase of my investment?

No. PERLS II Holders may not require the Responsible Entity to buy back or redeem their PERLS II. To realise their investment, PERLS II Holders can sell their PERLS II on ASX at the prevailing market price. There can be no assurance as to the liquidity of the market for PERLS II. Further the market price of PERLS II may be higher or lower than the Face Value, and will depend, among other things, on the level of supply and demand for PERLS II.

PERLS II Holders can also elect to exchange their PERLS II as discussed under “When can a PERLS II Holder request exchange?”. On exchange, the Bank may choose between exchanging PERLS II for cash (subject to APRA approval), Ordinary Shares or a combination of both.

What are the taxation implications of holding or selling PERLS II?

The taxation implications of investing in PERLS II will depend on investors' individual circumstances. 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 Limited to CMIL set out in Section 8.

How are the PERLS II different to Commonwealth Bank PERLS?

While the legal form of the instruments is different, investors receive similar returns. The following table sets out some key differences between PERLS II and Commonwealth Bank PERLS.

Characteristic:	PERLS	PERLS II
Legal Form:	Preference share	Unit in a trust
Issuer	The Bank	CMIL
Security credit rating:	“A-” (S&P), “A2” (Moody’s)	“A-” (S&P), “A2” (Moody’s)
Margin:	1.85%	0.95%
Assumed value of franking:	75%	100%
Ordinary Share Price Exposure:	None	Below \$2.00 on exchange*
Ranking in Liquidation:	Preference Share	Exchange into Ordinary Shares
Reset of terms:	Yes	Yes
Maturity:	None	None
Issue date:	6 April 2001	6 January 2004
Rollover date:	6 April 2006	15 March 2009

* Because of the Maximum Conversion Number you will receive less than the face value on exchange if the Ordinary Share price is less than \$2.00. The Ordinary Share price has fluctuated between \$23.05 and \$30.62 in the year to 25 November 2003.

Section 2 Key Questions about PERLS II

From an investor's perspective, differences between PERLS II and PERLS include:

- The investor is investing in units in a trust issued by CMIL rather than preference shares issued by the Bank. This means that the investor will receive distributions from the Trust rather than dividends from the Bank, they will receive annual reports and tax statements from the Trust (as well as any of the Bank's reports – should they elect to receive the Bank's reports as well).
- The distribution rate calculations are different. In PERLS II there is not an adjustment to the distribution calculation to allow for investors implying a 75% value attributed to franking. The Distribution Rate is calculated assuming 100% value for franking, by adding the Market Rate and Margin and multiplying the sum by $(1 - \text{Tax Rate})$. The corporate tax rate is currently 30%. This means that the Distribution Rate will change if there is a change in the Tax Rate in the period to the Rollover Date for the PERLS II. This does not occur for PERLS.
- The amount of the PERLS II Distribution payments may be different to a PERLS dividend because they are based on a different margin and are calculated on different days.
- On liquidation, if the underlying security is a Convertible Note, PERLS II may be exchanged for Ordinary Shares whereas PERLS will rank for payment of capital behind all of the creditors of the Bank but ahead of Ordinary Shares.
- On conversion into Ordinary Shares, PERLS II Holders are subject to receipt of the Maximum Conversion Number of shares (100 for each PERLS II). PERLS holders are not subject to a limit on the number of Ordinary Shares that they will receive.
- There are also minor changes to definitions of distributable profits in line with movements in APRA policy.

Do PERLS II have voting rights?

PERLS II Holders will be entitled to vote at any meeting of Unitholders of the Trust. PERLS II do not have voting rights at any meeting of the Bank.

Is brokerage or stamp duty payable?

No brokerage or stamp duty is payable on your Application for PERLS II. You may have to pay brokerage on any subsequent transfer of your PERLS II on ASX after quotation.

What am I required to pay?

The issue price for each PERLS II is \$200. No further payments are required. The minimum number of PERLS II that you can apply for is 25, requiring a minimum investment of \$5,000. Applications for greater than the minimum subscription must be in multiples of 5 PERLS II (\$1,000).

Will I be required to pay any ongoing fees?

No. You will not be required to pay any ongoing fees. The Bank is meeting the costs of establishing the Trust, the costs of the Offer and the ongoing management costs of the Trust.

Does the Responsible Entity take into account labour standards, environmental, social and ethical standards in selecting investments?

As the only function of the Trust is to invest in the Convertible Notes issued by the Bank's New Zealand Branch, it is not possible for CMIL to, and CMIL does not, take into account labour standards, or environmental, social and ethical considerations for the purpose of selecting, retaining or realising investments of the Trust. However, the Bank's commitment to operating in a sustainable and socially responsible manner is outlined on the Bank's website at www.commbank.com.au/about.

Where can I get more information about PERLS II?

A number of relevant documents are available free of charge from CMIL during the Offer Period. See Section 10.2 for more information.

Who can I call if I have any questions?

If after reading this PDS you have further questions on how to apply, please call the **PERLS II Information Line on 1800 022 440**.

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

You should read the whole of this PDS carefully.

Section 3

Applying for PERLS II

Section 3 Applying for PERLS II

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

Who may apply

The Offer is available only to persons within Australia. No action will be taken to register the PDS or otherwise permit a public offering of PERLS II in any jurisdiction outside Australia. The Offer is not made in any jurisdiction where the laws of that jurisdiction would require the PDS to be registered or other action to be taken by CMIL.

When to apply

The Offer is expected to open at 9:00am (Sydney time) on 10 December 2003.

The Closing Date for:

- the General Offer is expected to be 12:00 noon on 24 December 2003. Applications and accompanying cheques and/or money orders must be received by the Registry no later than 12:00 noon on 24 December 2003; and
- the Broker Firm Offer is expected to be 10:00 am on 5 January 2004. Applications must be received by the Joint Lead Managers, Co-Managers and participating brokers in accordance with arrangements made between them and their clients.

The Offer may close early or the General Offer Closing Date or the Broker Firm Offer Closing Date may be extended without notice. You are therefore encouraged to submit your Application as soon as possible after the Offer opens. If the General Offer Closing Date or the Broker Firm Offer Closing Date is varied, subsequent dates may be varied accordingly.

How to apply

You may apply for PERLS II in the following ways:

- by submitting the Application Form attached to or accompanying this PDS or obtained from CommSec's website at www.com msec.com.au. You should complete the Application Form in accordance with the instructions set out on the Application Form;
- over the Internet at www.com msec.com.au; or
- through the Broker Firm Offer.

Where to send your completed General Offer Application Form

Completed Application Forms and accompanying cheques and/or money orders must be mailed or delivered to ASX Perpetual Registrars at:

Mail Address	or	Delivery Address
PERLS II		PERLS II
Locked Bag A14		C/- ASX Perpetual Registrars Limited
Sydney South		Level 8, 580 George Street
NSW 1232		Sydney NSW 2000

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

Applications must be received at one of the above addresses by 12:00 noon (Sydney time) on the Closing Date.

Paying for PERLS II under the General Offer

Completed Application Forms must be accompanied by cheques and/or money orders in Australian dollars drawn on an Australian branch of a financial institution. Cheques and/or money orders should be crossed "not negotiable" and made payable to "PERLS II Offer". If you have a broker firm Allocation, you should refer to your broker for payment instructions.

Applying for PERLS II over the Internet

You may also apply for PERLS II over the Internet. To do so, you will need to go to CommSec's website at www.com msec.com.au and follow the instructions. Before applying over the Internet, you need to download a copy of the PDS. It is important to read the entire PDS before applying for PERLS II.

If you apply for PERLS II over the Internet, you can choose to pay either by BPay or cheque. CommSec clients may also use available direct debit facilities.

Broker Firm Offer

If you have received a broker firm Allocation of PERLS II from the Joint Lead Managers, a Co-Manager or a participating broker 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 broker who offered you the broker firm Allocation (not to PERLS II Offer); and
- your completed Application Form and Application cheque must be delivered directly to the broker who offered you the broker firm Allocation (not to ASX Perpetual Registrars).

These differences, and any other requirements, will be explained to you by your broker. If you have a broker firm Allocation of PERLS II and are in any doubt about what action you should take, you should immediately contact the broker who offered you the broker 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 PERLS II is \$200. You must apply for a minimum of 25 PERLS II, which is a minimum investment of \$5,000. Applications for greater than 25 PERLS II must be in multiples of five PERLS II (\$1,000).

No Brokerage and Stamp Duty

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

Refunds

If you are allotted less than the number of PERLS II you applied for, you will receive a refund cheque as soon as practicable after the Closing Date. No interest will be payable on Application Monies. Any interest earned on the Application Monies will be retained by CMIL.

Commencement of Trading of PERLS II on ASX

Trading of PERLS II is expected to commence on ASX on a deferred settlement basis on 7 January 2004. The dispatch of holding statements is expected to occur on 12 January 2004. Trading is expected to continue on a deferred settlement basis until 13 January 2004 when trading of PERLS II is expected to commence on a normal settlement basis.

It is your responsibility to determine your Allocation before trading your PERLS II to avoid the risk of selling PERLS II you do not own. To assist you in determining your Allocation prior to receipt of your holding statement, you may call the **PERLS II Information Line on 1800 022 440** to seek information on your Allocation.

If you sell your PERLS II before you receive confirmation of your Allocation, you do so at your own risk.

Tax File Number and/or Australian Business Number

You do not have to provide your Tax File Number (TFN) or Australian Business Number (ABN). If you do not do so, your Application will not be affected. However, the Responsible Entity may be required to withhold Australian tax at the maximum marginal tax rate (currently 48.5% including the Medicare Levy) on the amount of any Distribution in respect of your PERLS II, if you do not provide any one of your:

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

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

Section 4

Allocation and Allotment of PERLS II

4.1 Allotment

CMIL intends to issue up to 3.75 million PERLS II at an issue price of \$200 each, to raise up to \$750 million – with the ability to accept oversubscriptions for up to \$250 million (or up to 1.25 million PERLS II).

CMIL will not allot any PERLS II until all proceeds from accepted Applications have been received by CMIL and ASX has granted permission for PERLS II to be quoted. CMIL intends to allot the PERLS II on 6 January 2004. CMIL may, on agreement with the Joint Lead Managers, change the Closing Date and the Allotment Date or may withdraw the Offer at any time before Allotment.

CMIL reserves the right to issue less than \$750 million of PERLS II.

4.2 Allocation Policy

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

In determining the Allocation of PERLS II to investors, CMIL and the Joint Lead Managers will act fairly and equitably with regard to the allocation of PERLS II and will have the objective of achieving an orderly and successful secondary market and a wide distribution of PERLS II.

Applications may be subject to scaling back. Some Applications may be rejected. This may include scaling back to below the minimum Application of 25 PERLS II.

In respect of any Application where the number of PERLS II 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. Any interest earned on the Application Monies will be retained by CMIL.

4.3 Firm Allocations to Joint Lead Managers and Brokers

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

4.4 Bookbuild

The Joint Lead Managers conducted a Bookbuild to determine the Initial Margin in accordance with terms and conditions agreed by the Bank and the Joint Lead Managers. As part of the Bookbuild, certain institutional investors, the Joint Lead Managers, Co-Managers and participating brokers and certain member organisations of ASX were invited to lodge bids for a maximum number of PERLS II within an indicative range for the Initial Margin of 0.80% to 1.05% per annum. On the basis of those bids, the Bank and the Joint Lead Managers determined the Initial Margin and the firm allocations of PERLS II to institutional investors, the Joint Lead Managers, Co-Managers and participating brokers. PERLS II allocated during the Bookbuild will be issued pursuant to this PDS.

Application and settlement procedures for the Bookbuild were notified to institutional investors, Co-Managers and participating brokers and other successful bidding parties by the Joint Lead Managers.

4.5 Other Information

Application payments and refunds

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

In the following cases, you will receive a refund cheque as soon as practicable after the Closing Date:

- you are allotted fewer than the number of PERLS II you applied for; or
- your Application is rejected.

ASX Listing and deferred settlement trading

Application will be made to ASX no later than seven days after the date of this PDS for PERLS II to be admitted to the official list of ASX. It is expected that trading of PERLS II on ASX will commence on a deferred settlement basis on 7 January 2004. Holding statements are expected to be dispatched on 12 January 2004. Trading of PERLS II is expected to continue on a deferred settlement basis until 13 January 2004 when trading of PERLS II is expected to commence on a normal settlement basis. Deferred settlement will occur because trading will take place before entries into the PERLS II register are made by ASX Perpetual Registrars in respect of holdings of PERLS II and before holding statements are sent out to holders of PERLS II. If PERLS II are not admitted to the official list of ASX, the PERLS II will not be issued and Application Monies will be refunded to applicants.

Provision of Holding Statements

CMIL will apply for PERLS II to participate in CHESS and, if official quotation is granted by ASX, no certificates will be issued.

Following the Allotment of PERLS II to Successful Applicants, PERLS II Holders will be sent an initial statement that sets out the number of PERLS II they have been allotted in the Offer.

It is the responsibility of applicants to determine their Allocation (if any) prior to trading in PERLS II. Applicants who sell PERLS II before they receive their holding statements will do so at their own risk.

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

Section 5

Risks of Investing in PERLS II

Section 5 Risks of Investing in PERLS II

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

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

The summary of risks below is not exhaustive. You should read this PDS in its entirety and consult your stockbroker, accountant or other professional adviser before deciding whether to apply for PERLS II.

5.1 General Risks Associated with Investing in PERLS II

Set out below are general risks associated with an investment in PERLS II. In particular, these risks arise from the nature of PERLS II and their terms of issue.

Market price and liquidity

CMIL will apply for quotation of the PERLS II on ASX, but CMIL is unable to forecast the market price and liquidity of the market for PERLS II. The market price of PERLS II 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 Ordinary Shares; and
- factors which may affect the Bank's financial position and earnings.

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

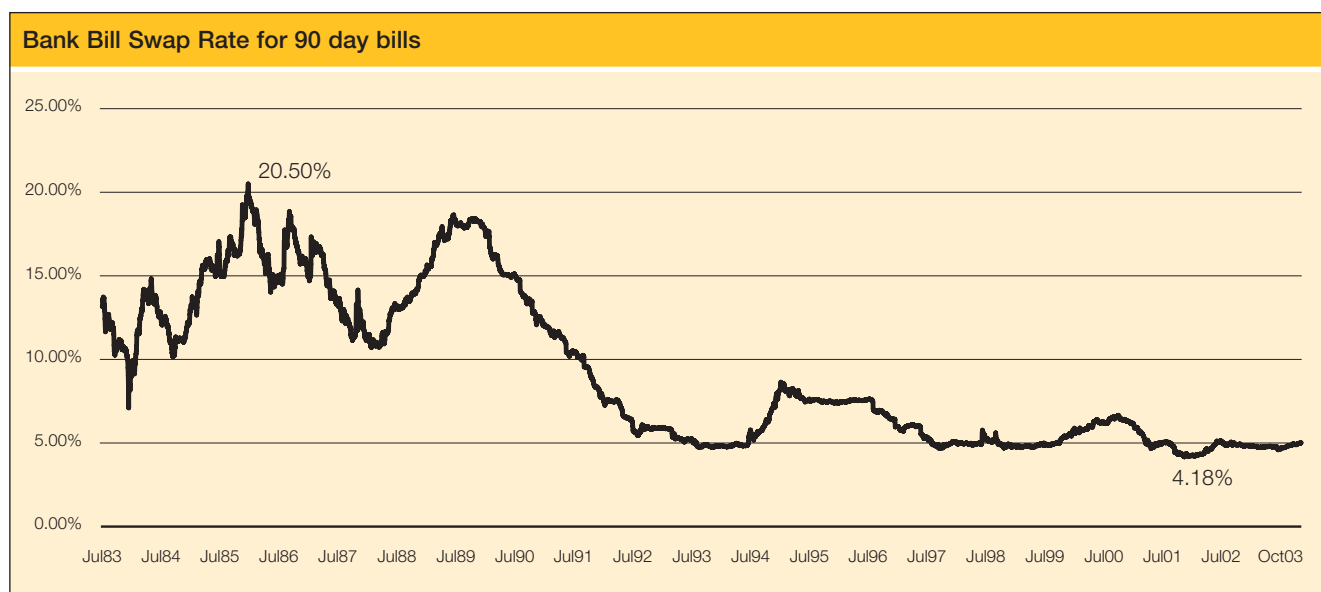
The market for PERLS II may be less liquid than the market for Ordinary Shares. PERLS II Holders who wish to sell their PERLS II may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for PERLS II.

Distribution Rate

The Distribution Rate payable on PERLS II is calculated for each Distribution Period by reference to the Bank Bill Swap Rate for 90 day bills, which is influenced by a number of factors and varies over time. The Distribution Rate payable on PERLS II will fluctuate (both increasing and decreasing) over time with movement in the Bank Bill Swap Rate for 90 day bills. Refer to the chart below.

To reflect changes in the market conditions, on 15 March 2009 and on each subsequent Rollover Date, the Bank can change certain terms relating to the Convertible Notes (or if the Convertible Notes convert into Preference Shares or Alternative Securities, Preference Shares or Alternative Securities) which will result in corresponding changes to the terms of PERLS II.

On each Rollover Date on and after 15 March 2009, the Bank may change the Margin on the Convertible Notes and hence the Margin on PERLS II. However, any changes to the Margin are subject to the constraints set out in "Will the Margin change over time?" in Section 2.



Section 5 Risks of Investing in PERLS II

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

Distributions

There is a risk that Distributions on PERLS II will not be paid. Distributions on PERLS II will only be paid if the Bank pays the interest on the Convertible Notes (or, if the Convertible Notes convert into Preference Shares or Alternative Securities, distributions on the Preference Shares or Alternative Securities). Interest on the Convertible Notes will only be paid if the board of the Bank (or a committee of the board of the Bank) declares or otherwise resolves to pay the interest and if no Deferral Condition exists. A Deferral Condition exists if:

- APRA has objected to the interest being paid;
- APRA has stated that the payment would result in the PERLS II no longer being treated as Tier 1 Capital; or
- there is an Insufficient Distributable Profits Circumstance which means that, the interest payable on the Convertible Notes would exceed Distributable Profits.

If the Bank does not pay interest on the Convertible Notes to the Trust, the Responsible Entity will be unable to pay a Distribution to the PERLS II Holders on the Distribution Date for the Distribution Period in which this occurs. If the Bank pays some but not all of the interest on the Convertible Notes, PERLS II Holders will receive their pro rata share of this lesser amount.

Distributions on PERLS II are non-cumulative and, therefore, if a Distribution is not paid in full for any particular Distribution Period, a PERLS II Holder will not be entitled to receive that Distribution and will not receive that Distribution unless the Bank, subject to APRA approval, causes the Distribution to be made up.

If a Distribution is not paid in full, the Bank will not be permitted to pay interest, distributions or dividends or return any capital or undertake any buy-back, redemptions or repurchases in relation to any of the Bank's securities that rank equally for interest payments or distributions with or junior to the Convertible Notes, Preference Shares or Alternative Shares (subject to certain exceptions) unless and until:

- four consecutive Distributions are paid in full; or
- the Bank (with the approval of APRA) and CMIL have paid PERLS II Holders an amount or amounts (in aggregate) equal to their full Distribution Entitlements for four consecutive Distribution Periods; or
- PERLS II Holders pass a Special Resolution approving the payment.

The exceptions under which the Bank is permitted to make payments and distributions include pro rata payments on PERLS II, the Convertible Notes, Preference Shares or Alternative Securities and certain Capital Securities of the Bank that rank equally with the Convertible Notes, Preference Shares or Alternative Securities.

However, the Bank may be subject to a similar constraint which applies to payment of dividends or return of capital on Ordinary Shares if the Bank has failed to pay a dividend on PERLS. If this constraint applies the Bank may not be able to make pro rata payments to PERLS II Holders under the exceptions to the PERLS II Dividend Stopper, unless an additional shareholder approval is obtained under the PERLS terms of issue.

Exchange

A PERLS II Holder may require the Bank to exchange their PERLS II in the circumstances set out in "When can a PERLS II Holder request exchange?".

The Bank may also require you to exchange your PERLS II in the circumstances set out in "When can the Bank require me to exchange my PERLS II?". This could occur on a date other than a Rollover Date and before you wish to dispose of your PERLS II which may be disadvantageous in light of market conditions and your individual circumstances.

Section 5 Risks of Investing in PERLS II

On exchange, PERLS II Holders will receive, at the Bank's election, Ordinary Shares or (subject to APRA approval) cash or a combination of these alternatives.

The exchange mechanism chosen by the Bank may not coincide with your individual preference and may be disadvantageous to you in light of market conditions or individual circumstances. Furthermore, the Bank may also require exchange at dates not previously contemplated by PERLS II Holders. Therefore, the period for which PERLS II Holders will be entitled to the benefit of the rights attaching to PERLS II is unknown.

If you receive cash, the rate of return at which you could re-invest your funds may be lower than the Distribution Rate applicable to PERLS II. The cash you receive may also be more or less than the price you paid for your PERLS II.

If you receive Ordinary Shares, the number of Ordinary Shares to be issued on exchange depends on the VWAP during the 20 Business Days prior to exchange. This may exceed the market price for Ordinary Shares on the Exchange Date. In addition, if on exchange, the VWAP of Ordinary Shares is less than \$2.00, the value of Ordinary Shares into which PERLS II convert may be less than the Face Value of PERLS II.

Automatic exchange

PERLS II will automatically be exchanged for Ordinary Shares on the occurrence of an APRA Event or a Default Event.

If the Bank is unable to issue Ordinary Shares in these circumstances, then you will receive neither cash nor Ordinary Shares. In these circumstances you will only receive any net amounts actually recovered on the Convertible Notes, Preference Shares or Alternative Securities under the entitlements and ranking that these respectively confer. There is a risk that this will be lower than the price you paid for your PERLS II.

Franking

The Bank expects Distributions on PERLS II to be fully franked. However, Distributions payable on PERLS II may or may not be fully franked. The Bank must notify PERLS II if a Distribution for any Distribution Period will not be fully franked.

If PERLS II Holders receive a notice that a Distribution will not be fully franked, they may elect to exchange their PERLS II on the next Distribution Date.

Limits on holding Ordinary Shares

The *Financial Sector (Shareholdings) Act 1998* (Cth) 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.

Perpetual securities

PERLS II have no stated maturity date. PERLS II are not redeemable or exchangeable for cash unless the Bank elects to pay cash consideration in the event of exchange.

Ranking

PERLS II are not bank deposits or debt instruments of the Bank or any subsidiary of the Bank although the Convertible Notes underlying the PERLS II are issued by the Bank.

On a winding up of the Bank, PERLS II will automatically be exchanged for Ordinary Shares as described under the risk description titled "Automatic exchange" above. The rights of holders of Ordinary Shares to receive a return of capital on a winding up of the Bank rank after the claims of creditors and the claims of holders of preferred securities including PERLS issued by the Bank and Preference Shares issued on conversion of the Trust Preferred Securities. The claims of creditors include all deposits made with the Bank, including ordinary bank account deposits.

As Ordinary Shares rank after creditors and holders of preferred securities, 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 investors holding Ordinary Shares (received on exchange) or investors holding PERLS II (if the Ordinary Shares cannot be issued).

In the limited circumstances that the Convertible Notes have been converted to Preference Shares and the winding up of the Bank is effected without the Preference Shares having converted into Ordinary Shares, the Preference Shares will rank ahead of Ordinary Shares and equally with other Preference Shares for their entitlement to capital (see Section 9).

Section 5 Risks of Investing in PERLS II

Investments of the Trust

The investments of the Trust are not diversified. Consequently, a PERLS II Holder is subject to a greater risk that the assets of the Trust will not generate sufficient income to pay distributions compared with an investment where the underlying assets are diversified.

Credit rating

There is a risk that the credit rating of the Bank and the PERLS II may change as a result of changes in the Bank's operating performance or capital structure, or for some other reason. This could affect the market price and liquidity of PERLS II.

Taxation

A general description of the Australian taxation consequences of investing in PERLS II is set out in the letter from Greenwood & Freehills Pty Limited 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.**

If there is a change of law, policy or practice that adversely affects the tax position of the Bank or the Trust, a Tax Event may occur. This may give the Bank the right to elect to exchange your PERLS II.

Regulatory

Under current Australian Generally Accepted Accounting Principles, the Bank considers that PERLS II will be classified as other equity interests in the Bank's financial statements. In July 2002 the Financial Reporting Council announced its support for the adoption in Australia of international accounting standards from 1 January 2005. The Australian Accounting Standards Board ("AASB") existing accounting standard on classification of financial instruments would be then harmonised with current changes proposed to international accounting standard IAS 32 Financial Instruments: Disclosure and Presentation.

If the changes proposed by the AASB and the International Accounting Standards Board ("IASB") to the classification of financial instruments are adopted, it is likely that PERLS II will be classified as a liability rather than equity in the Bank's financial statements. A change in accounting treatment of PERLS II may also cause APRA to no longer regard the PERLS II as Tier 1 Capital.

Investors should refer to the PERLS II Terms of Issue for further information. In addition, APRA may determine that a Distribution should not be paid or that a higher Total Capital Adequacy Ratio or Tier 1 Capital ratio should be reached before any Distribution can be paid.

APRA has approved the classification of PERLS II as Tier 1 Capital and has indicated that a change in accounting treatment would not in itself result in a change in regulatory classification. However, if APRA subsequently determines that PERLS II do not constitute Tier 1 Capital, a Regulatory Event may occur which would entitle the Bank to exchange the PERLS II as set out under "Exchange" above.

Accounting standards

In addition to the risk of triggering a Regulatory Event, a change in accounting standards by either the IASB or AASB may affect the reported earnings and financial position of the Bank in future financial periods. This may adversely affect the ability of the Bank to make payments with respect to the Convertible Notes, Preference Shares or Alternative Securities which will in turn affect the ability of the Responsible Entity to make Distributions on PERLS II.

Future securities

The Bank and CMIL are entitled to issue further PERLS II that rank equally with PERLS II issued under this PDS without the approval of PERLS II Holders.

In addition, the Bank may also issue other securities that rank for dividend or payment in a winding up of the Bank, equally, behind or ahead of PERLS II offered under this PDS without the approval of the PERLS II Holders. A holding of PERLS II 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 distribution or interest rates and on the same or different terms to the PERLS II.

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 PERLS II.

5.2 Risks Associated with the Bank

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

Macro economic risks

The Bank is a major lender to Australian and New Zealand businesses and to individuals. The general state of the Australian and New Zealand economies will influence the level of profitability of the Bank and therefore its ability to pay dividends or distributions (see Section 6.)

In particular, a significant decrease in the Australian and New Zealand housing markets or property valuations could adversely affect our home mortgage portfolio. Furthermore, continued weaknesses in global securities markets could result in a decline in the Bank's revenues from its funds management and life insurance business.

Banking industry-specific risks

In addition to economic factors, there are 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 are a number of risk factors which arise directly from the operations of the Bank as a major participant in the financial services industry and from the specific structure of the Bank. 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 Bank. 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 on the net interest earnings of the Bank; and
 - 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 Bank'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 Bank 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 PDS in its entirety and consult their stockbroker, accountant or other professional adviser before deciding whether to apply for PERLS II.

Section 6

Information about the Commonwealth Bank

6.1 Overview

Commonwealth Bank of Australia provides a comprehensive range of banking, financial, insurance and funds management services primarily in Australia and New Zealand.

After deducting goodwill amortisation of \$322 million and a net reduction in appraisal value of \$245 million, the Bank recorded a statutory net profit after income tax for the year ended 30 June 2003 of \$2,012 million, or 24% below the prior year. The net profit after tax (cash basis – excludes goodwill amortisation and appraisal value reduction) for the year ended 30 June 2003 was \$2,579 million, an increase of \$78 million or 3% on the prior year.

The Bank is the leading home loan provider and the largest acceptor of retail deposits in Australia, with a market share of 19.5% (at 31 March 2003) and 24.8% (at 31 May 2003) respectively. At 30 June 2003, the Bank had total consolidated assets of over \$265 billion and funds under management of \$94 billion.

The Bank has the largest network of branches of any financial institution in Australia. In addition, the Bank has branches in London, New York, Singapore, Tokyo, Hong Kong, New Zealand and Grand Cayman and representative offices in Beijing, Shanghai, Hanoi and Jakarta.

The Bank is listed on ASX and based on the closing share price of \$27.95 on 25 November 2003, had a market capitalisation of \$35,246 million. The Bank is one of the top three companies on ASX by market capitalisation.

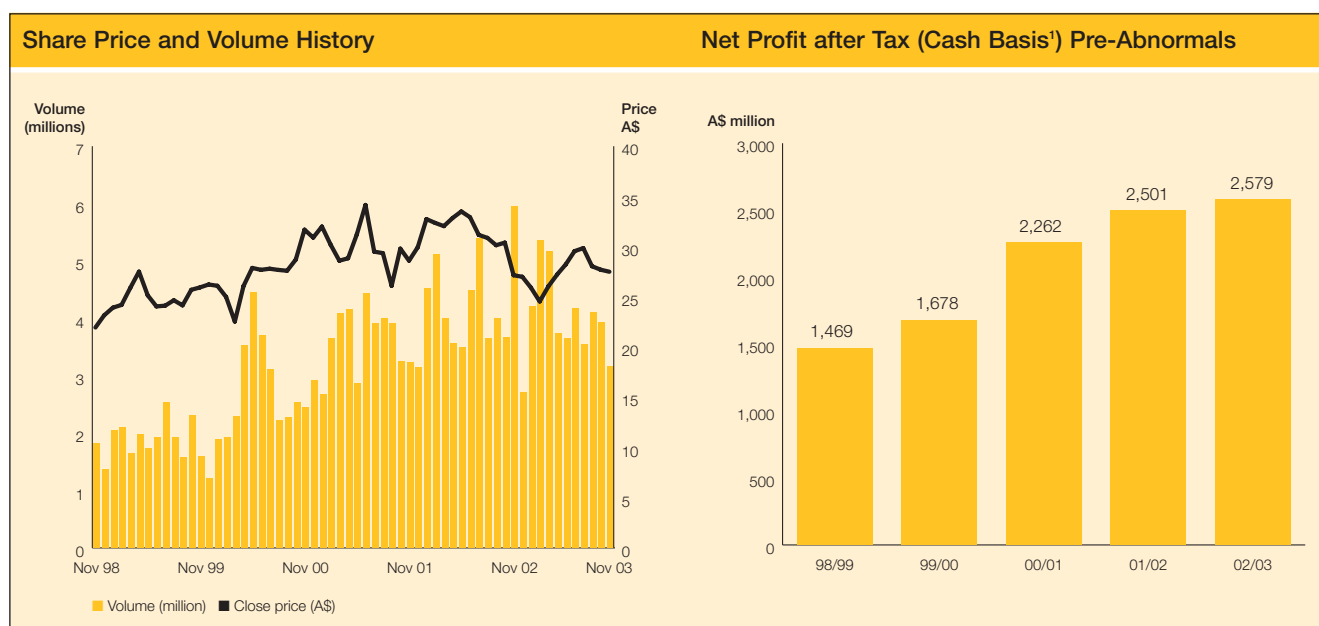
The Bank reported a net profit from its banking business of \$2,401 million for the year ended 30 June 2003.

Excluding first time expenses, the growth in underlying profit was 16% which reflects strong balance growth, fee initiatives and improved asset quality while operating expenses have remained relatively flat.

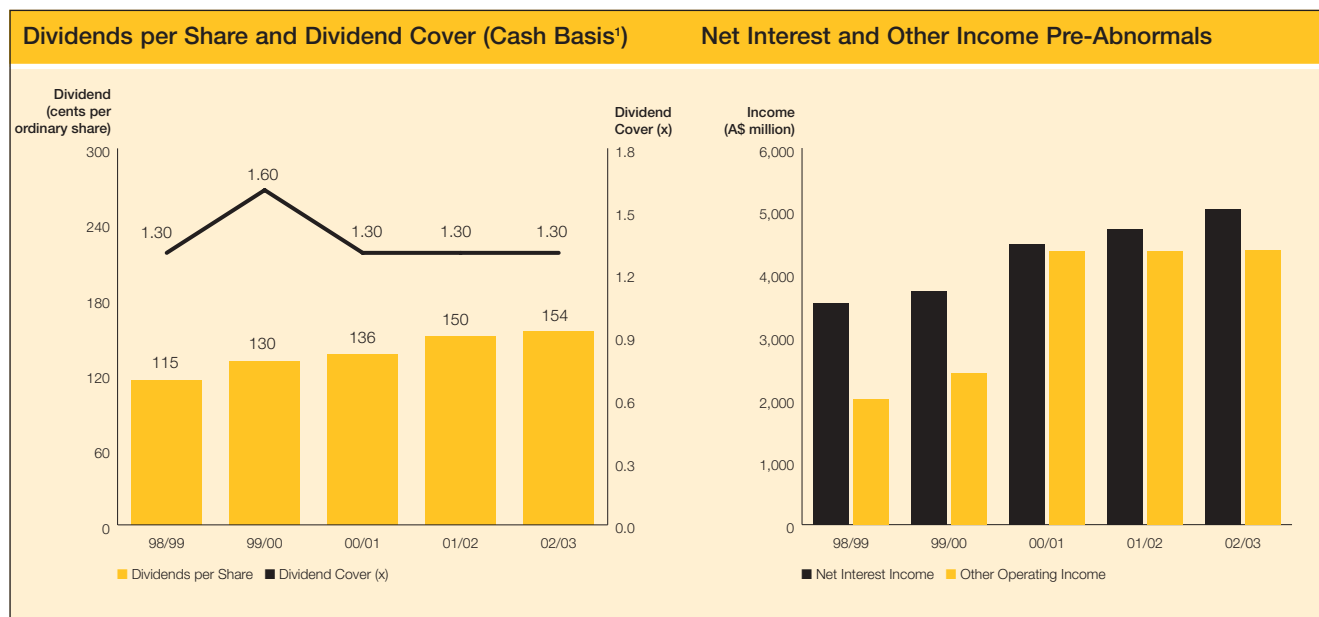
Funds management, excluding expenses for the restructure initiatives and shareholder investment returns, recorded an underlying profit of \$228 million, a 37% decrease on the prior year. This primarily reflects the effect of depressed equity markets for most of the year on funds under management, lower fund flows and the impact of increased compliance and regulatory expenses.

The life insurance business' underlying operating profit, excluding investment returns, was \$58 million, a 41% improvement on the prior year. The improvement reflected a turnaround in the Asian business and strong profit growth in New Zealand.

The Bank has investment grade credit ratings. At 30 June 2003 it had retained earnings and reserves of approximately \$6.6 billion. The Bank has always paid fully franked dividends on Ordinary Shares since its Ordinary Shares were listed on ASX.



1 Cash Basis excludes goodwill amortisation and appraisal value reduction/uplift.



1 Cash Basis excludes goodwill amortisation and appraisal value reduction/uplift.

6.2 Transformation Program

On 19 September 2003, the Group launched its “Which new Bank” customer service vision. This vision is based on what its customers have said they want from the Bank: “Know me, give me what I want and do it reliably”. To achieve this vision, a three-year major cultural transformation program is planned, aiming to empower, motivate and skill people and simplify processes. It is aimed to improve customer service response times by 20% to 50%.

In implementing its “Which new Bank” transformation over the next three years, the Group will redirect its usual project spend of \$600 million and outlay an additional \$620 million in the key areas of staff training and skilling, systems and process simplification, and technology. It will also invest a further \$260 million over this period in the branch network. The service transformation will be supported by increased investment of over \$200 million in training and developing the Group’s staff over the next three years, doubling the Group’s normal spend.

It is expected that the superior customer service resulting from the transformation program will deliver compound annual earnings per share growth over 10% over the three year period and productivity improvements of 4% to 6% per annum, subject to current trading conditions being maintained. The net impact over the three years is expected to be positive and the profits in subsequent years greater than they would have been. The Bank’s Board regards the expenditure incurred on this program to be in the nature of an investment in the future of the Group. There will be

additional charges against profit in the 2004 Financial Year, but the Bank will add back the non-recurring charges, expected to be around \$500 million after tax, in considering the amount to be distributed as dividends to shareholders.

As a consequence of process simplification, work redesign and removing unnecessary work, the Group’s domestic workforce is expected to reduce by approximately 3,700 between July 2003 and June 2006. Around 25% of this reduction had already happened as at 19 September 2003.

6.3 Outlook Statement

Although reasonably resilient, the Australian economy remains dependent on recovery in the United States. While there have been some positive signs, there are potential significant financial imbalances arising from the US current account and fiscal deficits.

The Australian financial services industry remains highly competitive, operating in an environment of reducing margins with the likelihood of slowing credit growth. Notwithstanding this, the longer-term outlook for the banking, insurance and wealth management sectors is for continuing growth.

Customers will need more convenient and informed access to financial services, through wealth management advice, products to respond to the aging of the population and personalised banking services for payments, savings and investments. The Board and management of the Bank have been focussing on how the Bank needs to respond in this environment.

Having acquired Colonial and added significant value, the Bank is well positioned to meet the challenges ahead and to benefit from scale, breadth of services, and the strength of its proprietary distribution system. However, there needs to be a major transformational change to deliver the outstanding service levels, with enhanced staff engagement and simple and efficient processes required to be more competitive.

The Bank believes that it has more to gain from such a change and announced on 19 September 2003, details of the strategies, proposed investments, expected outcomes and implementation milestones of a program to achieve these goals.

The Bank's Board is committed to achieving sustainable growth in all the Bank's businesses and in growing sustainable and reliable returns for all shareholders, and to this end, the Bank intends to maintain its high dividend payout ratio relative to its peers.

The Bank's outlook statement was further articulated by the Chairman, Mr John Ralph, at the Bank's Annual General Meeting held on 31 October 2003 as follows:

"The result for the first quarter already reflects the initiatives we implemented last year to improve the Bank's future performance. Credit growth has been strong, particularly in the housing sector. This, together with deposit growth, which is well above expectations, will drive continuing good performance in banking. In wealth management, investment returns have continued to be strong and both insurance premium income and total funds under management have increased over the quarter. As a consequence, the first quarter's performance has been good.

If current market conditions continue for the remainder of this half year, growth in underlying cash earnings could be sufficient to offset transformation costs incurred in the half year.

At this stage, there appears to be sufficient momentum in the economy to support solid underlying earnings growth for the full year, although the rate of growth may moderate in the second half.

The Bank will add back the non-recurring transformation charges, in considering the amount to be distributed as dividends to shareholders. Consequently, the Bank expects to be able to continue the uninterrupted pattern of increased dividends that we have been able to deliver since privatisation."

6.4 Capital Management Strategy

The Bank's capital management philosophy is to maintain the appropriate level and mix of capital to enhance efficiency and maximise shareholder value whilst maintaining adequate capital to sustain its credit rating, support underlying business risks and meet regulatory capital requirements.

The new issue of PERLS II is a less expensive form of capital than Ordinary Shares and increases the diversity and flexibility of the Bank's capital base. PERLS II are expected to attract new investors to the Group 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 value for shareholders.

In September 2003, the Bank announced that for the foreseeable future, consistent with its peers, it would issue shares to satisfy the Dividend Reinvestment Plan, which should enable a structured buy-back to proceed within six months.

6.5 Capital Ratios at 30 June 2003

Capital Ratios	Actual	Proforma including PERLS II*
Tier 1 Capital Ratio	6.96%	8.03%
Total Capital Adequacy Ratio	9.73%	10.80%

* Adjusted to reflect the issue of US\$550 million of Trust Preferred Securities on 6 August 2003 and \$750 million of PERLS II. The 1.07% increase in the Tier 1 Capital Ratio and the Total Capital Adequacy Ratio is attributable to the issue of Trust Preferred Securities (0.56%) and PERLS II (0.51%).

The Bank is subject to regulation by APRA under the authority of the Banking Act 1959. APRA has set minimum ratios that compare the regulatory capital held with on- and off-balance sheet assets, weighted for risk. The minimum ratios are 4% for Tier 1 Capital and 8% for the Total Capital Adequacy Ratio. The Bank targets a minimum ratio of 9% for the Total Capital Adequacy Ratio.

Section 6 Information about the Commonwealth Bank

6.6 Proforma Financial Information

Statement of Financial Position of Commonwealth Bank Group as at 30 June 2003 adjusted for the issue of Trust Preferred Securities and the proposed PERLS II issue.

	Actual 2003 \$M	Proforma including PERLS II Issue 2003 \$M
Assets		
Cash and liquid assets	5,575	5,575
Receivables due from other financial institutions	7,066	7,066
Trading securities	10,435	10,435
Investment securities	11,036	11,036
Loans, advances and other receivables	160,347	160,347
Bank acceptances of customers	13,197	13,197
Life insurance investment assets	27,835	27,835
Deposits with regulatory authorities	23	23
Property, plant and equipment	821	821
Investment in associates	287	287
Intangible assets	5,029	5,029
Other assets	23,459	23,459
Total Assets	265,110	265,110
Liabilities		
Deposits and other public borrowings	140,974	139,400 ²
Payables due to other financial institutions	7,538	7,538
Bank acceptances	13,197	13,197
Provision for dividend	12	12
Income tax liability	876	876
Other provisions	819	819
Life insurance policyholder liabilities	23,861	23,861
Debt issues	30,629	30,629
Bills payable and other liabilities	19,027	19,027
	236,933	235,359
Loan Capital	6,025	6,025
Total Liabilities	242,958	241,384
Net Assets	22,152	23,726

	Actual 2003 \$M	Proforma including PERLS II Issue 2003 \$M
Shareholders' Equity		
Share capital		
Ordinary share capital	12,678	12,678
Preference share capital	687	687
Other equity instruments	0	1,574 ¹
Reserves	3,850	3,850
Retained profits	2,809	2,809
Shareholders' Equity Attributable to Members of the Bank		
	20,024	21,598
Outside equity interests:		
Controlled entities	304	304
Life insurance statutory funds and other funds	1,824	1,824
Total outside equity interests	2,128	2,128
Total Shareholders' Equity	22,152	23,726

1 Assumes the issue of \$750 million (\$742 million net of fees) of PERLS II and reflects the issue of US\$550 million (A\$832 million) Tier 1 Capital on 6 August 2003.

2 Assumes A\$1,574 million of borrowings are repaid.

6.7 Credit Ratings

The Bank and PERLS II have each been rated by Standard & Poor's Ratings Services and Moody's Investors Service.

At the date of this PDS, the ratings are as follows:

Commonwealth Bank – Long Term Senior Debt Rating	
Standard & Poor's Ratings Services ¹	AA-
Moody's Investors Service ²	Aa3
PERLS II – Issue Credit Rating³	
Standard & Poor's Ratings Services	A-
Moody's Investors Service	A2

1 Standard & Poor's Long Term Senior Debt Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations.

2 Moody's Investors Services Long Term Senior Debt Rating is a current opinion of the future ability of an issuer to repay its long-term debt obligations and the level of legal protection afforded to the holder of a specific security based on the security's specific terms.

3 An Issue Credit Rating is a current opinion of the creditworthiness of an obligor with respect to specific financial obligations, a specific class of financial obligations or a specific financial program.

Section 6 Information about the Commonwealth Bank

As the following table indicates, securities rated “BBB-” or above by Standard & Poor’s Ratings Services and “Baa3” or above by Moody’s Investors Service are considered to be investment grade*.

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

* PERLS II have been assigned an Issue Credit Rating by Standard & Poor’s Rating Services of “A-” and by Moody’s Investors Service of “A2” and are therefore investment grade.

According to Standard & Poor’s Ratings Services:

- A Long Term Senior Debt Rating of “AA-” describes an obligor that has a very strong capacity to meet its financial commitments. It differs from the highest rated obligors in only a small degree. The outlook applied to the Bank’s Long Term Senior Debt Rating is “Outlook Stable” which indicates that the rating is not expected to change; and
- An Issue Credit Rating of “A-” describes an issue that is somewhat more susceptible to the adverse effect of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor’s capacity to meet its financial commitment on the obligation is still strong.

According to Moody’s Investors Service Rating System:

- A Long Term Senior Debt rating of “Aa3” describes an issuer that offers excellent financial security. Together with the “Aaa” group, they constitute what are generally known as high grade entities. They are rated lower than “Aaa” rated entities because long-term risks appear somewhat larger. The outlook applied to the Bank’s Long Term Senior Debt rating is “Outlook Stable” which indicates that the rating is not likely to change; and
- An Issue Credit Rating of “A2” describes an issue that possesses many favourable investment attributes and may be considered as upper-medium grade obligations. The factors that give security to principal and interest are considered adequate but elements may be present that suggest a susceptibility to impairment some time in the future.

Credit ratings are not “market” ratings, nor are they recommendations by Standard & Poor’s Ratings Services or Moody’s Investors Service to buy, hold or sell securities including PERLS II. Credit ratings are subject to revision or withdrawal at any time. As at the date of this PDS, an Issue Credit Rating has not been sought from any other rating agency.

Section 7

Information about the PERLS II Trust and CMIL

7.1 PERLS II Trust

The Trust was registered as a managed investment scheme on 2 December 2003 for the purpose of issuing PERLS II and acquiring the Convertible Notes. The Trust will have two classes of units, Ordinary Units and PERLS II. The Bank will hold the only Ordinary Unit on issue.

The Trust has sufficient working capital to carry out its stated objectives.

The following is a Proforma Statement of Financial Position for the Trust is based on a minimum issue amount of \$750 million of PERLS II.

	As at the Allotment Date \$M
Assets	
NZ Convertible Notes	750
Cash ¹	0
Total Assets	750
Liabilities	
PERLS II Unit holders	750
Total Liabilities	750
Net Assets	0
Equity	
Parent entity interest:	
Unit in the PERLS Trust held by the Bank ¹	0
Total Equity	0

¹ Actual balance of \$200.

7.2 Commonwealth Managed Investments Limited

Commonwealth Managed Investments Limited ("CMIL"), a wholly owned subsidiary of the Bank, is the responsible entity of the Trust. The role of the Responsible Entity is to manage the Trust in the Unitholders' best interests and in accordance with the Constitution and the law including the Corporations Act.

CMIL is also the responsible entity of a number of listed and unlisted registered managed investment schemes and at 31 October 2003 managed funds in excess of \$7 billion. This includes the assets of two listed property funds, CFS Gandel Retail Trust (which owns in excess of \$3.2 billion of assets) and Commonwealth Property Office Fund (which owns in excess of \$2.5 billion of assets).

As required under the Corporations Act, CMIL has lodged with ASIC a compliance plan for the Trust. The compliance plan sets out the processes by which the Responsible Entity will ensure compliance with the Constitution and the Corporations Act. The compliance plan also sets out procedures for applications, distributions, audit, related party transactions, conflicts of interest and disclosure and reporting requirements.

The board of directors of the Responsible Entity has appointed a compliance committee for the Trust. The compliance committee consists of six members, the majority of whom are external to the Responsible Entity. The role of the compliance committee includes monitoring of the Responsible Entity's compliance with the Trust's compliance plan and to report on its findings to the Responsible Entity.

The board of directors of CMIL is comprised of the following individuals, all of whom are senior executives of the Bank:

Michael Cameron (Chairman of CMIL)

Michael Cameron is the Bank's Chief Financial Officer and is the Group Executive for the Financial and Risk Management ("FRM") division. FRM is responsible for the provision of specialist advice, strategies, information and policies on financial, risk and capital management matters as well as comprehensive investor relations. Prior to joining the Bank, Michael was Chief Operating Officer, Wealth Management Division, National Australia Bank. Michael has had a distinguished career of over a decade with Lend Lease and MLC and has also worked at Barclays Bank and TNT Australia. He is a Fellow of the Australian Institute of Chartered Accountants, a Fellow of CPA Australia, and a Fellow of the Institute of Company Directors.

Stuart Grimshaw

Stuart Grimshaw is the Bank's Group Executive of Investment and Insurance Services. The division spans a broad range of activities, encompassing the manufacture and administration of all non-banking related products and services distributed through direct, bank and external channels both in Australia and internationally. Stuart joined the Bank as Chief Financial Officer and Group Executive, Financial and Risk Management in February 2002. Stuart has nearly 20 years' global and domestic expertise in understanding and managing the financial needs of business and corporate customers. Prior to joining the Bank, Stuart was Chief Executive Officer for the National Australia Bank Great Britain where he was responsible for the operations of National's Clydesdale and Yorkshire Banks, including all aspects of customer interface, board reporting and financial performance.

Hugh Harley

Hugh Harley heads the Bank's Retail Banking Services ("RBS") division and is responsible for leading the Bank's largest business division focussed on meeting the financial needs of personal customers seeking accessible and affordable banking and financial services. Prior to taking responsibility for RBS in October 2002, Hugh held the position of Executive General Manager, Retail Sales and Service where he led the Bank's branch network and call centre employees. Hugh joined the Bank in 1987 as an economist and has worked in a diverse range of business units since that time.

Michael Katz

Michael Katz joined the Bank in 1993 as Head of Institutional Banking. Michael assumed responsibility for the creation of a new Premium Financial Services' business within the Bank in early 2002. This business is focussed on delivering premium products with a premium service to premium clients. It builds on the Bank's extensive client relationships to provide a new experience for these particularly discerning clients. Prior to joining the Bank, Mr Katz spent seven years with Morgan Stanley. During this time he worked in Japan where he was responsible for debt and equity capital markets activities. Before moving to Japan he spent four years in Zurich, building Morgan Stanley's operations in Switzerland. Mr Katz began his international banking career with Citibank in Geneva in 1981.

Michael Ullmer

Michael Ullmer heads the Bank's Institutional and Business Services ("IBS") division. IBS is responsible for meeting the financial services needs of the Bank's business clients, from major corporations, governments and financial institutions through to commercial, middle market and small businesses. Before joining IBS, Michael was Group General Manager, heading the Financial & Risk Management Division of the Bank. Previously Michael was a partner of Coopers & Lybrand, and before that KPMG. He has extensive financial services experience gained in Australia and overseas.

Future composition of CMIL Board

The Bank has decided that to meet the principles of good corporate governance and best practice recommendations of the ASX Corporate Governance Council, a majority of the board of directors of CMIL should be independent within the meaning of those recommendations. It is intended that by the end of 2003, three independent directors will be appointed and an appropriate number of existing directors will retire.

Section 8

Taxation Information



2 December 2003

The Directors
Commonwealth Managed Investments Limited
Level 7
48 Martin Place
Sydney NSW 2000

Dear Directors

Perpetual Exchangeable Resettable Listed Securities ("PERLS II") Australian Taxation Consequences

We have been instructed by Commonwealth Managed Investments Limited ("**CMIL**"), as Responsible Entity for the PERLS II Trust ("**the Trust**"), to prepare a taxation summary, for inclusion in a Product Disclosure Statement ("**PDS**") dated 2 December 2003, in relation to the issue of PERLS II.

Accordingly, this letter provides a summary of the principal Australian income tax and goods and services tax ("**GST**") implications arising from the acquisition, holding and disposal of PERLS II by an Australian resident investor ("**PERLS II Holder**") who holds the investment in PERLS II on capital account for tax purposes. This letter does not deal with the position of investors who hold PERLS II on revenue account or as trading stock as part of a securities trading business.

All legislative references to provisions are to provisions of the *Income Tax Assessment Act 1936* and to the provisions of the *Income Tax Assessment Act 1997* (each "**the Act**"). Capitalised terms not elsewhere defined in this letter have the same meaning as in the PDS.

The information contained in this summary is of a general nature only and does not constitute tax advice. It does not attempt to address all of the Australian tax implications that may be relevant to PERLS II Holders. Potential investors should seek independent advice in light of their own particular circumstances.

The summary is based on the Australian income tax and GST laws applicable as at the date of this letter.

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

1 Tax position of the Trust

PERLS II constitute units in the Trust. On the basis of the Trust's investment activities as set out in the PDS, the Trust should be subject to the ordinary "flow-through" trust taxing provisions of the Act. Where, as is anticipated, CMIL distributes all of the income of the Trust to PERLS II Holders, neither CMIL nor the Trust should be subject to tax.

The Act effectively treats a trust in the same manner as a company, where the trust falls within the definition of a "public trading trust". Given the intended activities of the Trust, the Trust will not constitute such a trust.

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

Greenwoods & Freehills Pty Limited ABRN 60 033 146 852

The Convertible Notes held by the Trust should be regarded for tax purposes as “non-share equity interests” of Commonwealth Bank of Australia (“**the Bank**”).

The consequence of such classification is that interest paid on the Convertible Notes by the Bank’s New Zealand Branch will be treated in a similar manner to dividends. In particular, such interest payments are capable of being franked by the Bank under the Australian dividend imputation system.

The benefits of any franking credits attached to the interest payments on the Convertible Notes will flow through the Trust to the PERLS II Holders, as discussed below.

Convertible Notes held by the Trust may, in certain situations, be converted into the Bank’s Ordinary Shares, Preference Shares or Alternative Securities. The terms of the Convertible Notes permit the conversion to occur through redemption of the Convertible Notes at their face value, with a subsequent subscription for the applicable shares or securities. Where conversion is effected in such a manner, no tax implications should arise upon the conversion of the Convertible Notes.

2 Tax position of PERLS II Holders

2.1 Treatment of Distributions

PERLS II Holders will be required to include their proportionate share of the taxable income of the Trust in their assessable income.

A Distribution that is actually received by a PERLS II Holder after 30 June, but that nonetheless relates to income of the Trust derived during the year ended 30 June, is not to be included in the PERLS II Holder’s assessable income for the year in which the Distribution is received. Rather, the PERLS II Holder is assessable in the same year in which the Trust derived the income. In the ordinary course, it is expected that Distributions will be received by PERLS II Holders in the same year that the Trust derives the income.

An annual tax statement will be provided by CMIL to each PERLS II Holder setting out details of their proportionate share of the Trust’s taxable income.

Distributions received on PERLS II should generally be treated by PERLS II Holders as foreign source income for tax purposes.

The rate of tax applied to PERLS II Holders will depend upon their particular tax profile.

The character of the income derived by the Trust will be retained on distribution by the Trust to PERLS II Holders. Consequently, PERLS II Holders will be required to include in their assessable income an amount equal to any franking credits attaching to a Distribution.

PERLS II Holders will generally be entitled to a tax offset (i.e. rebate) equal to the amount of such franking credits. Such an offset may be used to reduce a PERLS II Holder’s tax liability on the Distributions and other income.

Individual and complying superannuation fund PERLS II Holders may be entitled to a refund of franking credits to the extent that franking credits attached to their PERLS II Distributions exceed the income tax that would be payable by the PERLS II Holder, but for obtaining the franking credits.

A PERLS II Holder of PERLS II that is a company will be entitled to a franking credit in its own franking account in relation to franking credits attaching to any Distributions. Company PERLS II Holders are not eligible for refunds of excess franking credits.

The Australian dividend imputation system contains “holding period rules”, in relation to dividends on shares, including shares held indirectly through trusts.

These rules require shares to be held “at risk” for a specified period in order for franking benefits to be available in relation to those shares. The rules do not currently apply to non-share equity interests, such as PERLS II.

The Government has announced that the holding period rules are to be re-enacted as part of the revised imputation rules contained in the Act. It is anticipated that as part of this new legislation, the holding period rules will be extended to non-share equity interests, possibly with retrospective effect to 1 July 2002 or a later date.

Accordingly, PERLS II Holders seeking to obtain franking benefits in relation to Distributions on their PERLS II should generally seek to comply with the existing holding period rules. Assuming that these rules apply, the availability of franking credits is subject to a PERLS II Holder holding PERLS II, at risk, for a minimum period.

Under the current rules, the holding period for ordinary shares is 45 days, within the period beginning on the day after the day on which the taxpayer acquired the shares and ending on the 45th day after the day on which the shares go *ex dividend*. For preference shares, the period is 90 days, within the period beginning on the day after the day on which the taxpayer acquired the shares and ending on the 90th day after the day on which the shares go *ex dividend*. The 45 and 90 day periods exclude the dates of acquisition and disposal of the relevant shares.

At the date of this letter, given the absence of legislation, it is not clear whether PERLS II will be subject to a 45 or 90 day holding period rule. As a consequence, PERLS II Holders should currently assume a 90 day holding period may be required. Individuals and complying superannuation funds may apply simplified versions of the holding period rule.

The Government announced by a press release dated 11 November 1999 that it intended to review the holding period rule with a view to reducing it. No legislation in this regard has yet been introduced.

Where a PERLS II Holder undertakes risk management strategies in relation to their PERLS II, including the acquisition of put or call options or other derivative financial instruments, this may impact upon the PERLS II Holder’s ability to satisfy the “at risk” component of the holding period rule, and specific advice relevant to the PERLS II Holder’s facts and circumstances should be sought.

The Act contains various anti-avoidance provisions regarding the “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 and distributions. We consider that such provisions should not apply in respect of Distributions received by PERLS II Holders on PERLS II.

Where a PERLS II Holder borrows money to invest in PERLS II, the PERLS II Holder may be entitled to a deduction for interest paid on such borrowings. Whether a deduction is in fact available will depend upon a PERLS II Holder’s own circumstances and specific advice should be sought by the PERLS II Holder.

2.2 Disposal, exchange or redemption of PERLS II

Each PERLS II will constitute an asset for capital gains tax (“CGT”) purposes. As explained below, a disposition or exchange of PERLS II may lead to a capital gain or loss for CGT purposes.

A PERLS II Holder’s CGT cost base in PERLS II will be equal to the amount the PERLS II Holder paid to acquire PERLS II, plus any capital costs connected with the acquisition and/or disposal of the PERLS II. Where a unitholder in a trust receives non-assessable distributions, such amounts may reduce the investor’s CGT cost base in the units. Given the structure of the Trust and the nature of its investments, PERLS II Holders of PERLS II are unlikely to receive non-assessable Distributions.

Any capital gain or loss in relation to PERLS II will be aggregated with any other capital gains or losses of the PERLS II Holder for the year in question. Any net capital gain will be included in the PERLS II Holder's assessable income. A net capital loss is not deductible against other income, but may be carried forward for offset against net capital gains in a later year.

Disposal on market

If a PERLS II Holder disposes of PERLS II on market, a capital gain will arise to the extent that the capital proceeds on disposal exceed the CGT cost base of the PERLS II Holder in PERLS II. A capital loss will arise if the capital proceeds on disposal are less than the PERLS II Holder's CGT cost base in PERLS II.

PERLS II Holder requests exchange

As explained in the PDS, a PERLS II Holder can elect to exchange some or all of their PERLS II in certain situations. Where the PERLS II Holder elects such an exchange, the tax implications of the Bank's choice as to how it will give effect to the exchange are as follows.

Should the Bank elect to arrange for the PERLS II to be acquired at their Face Value by a third party, the capital proceeds on disposal will equal the Face Value. For an initial PERLS II Holder of PERLS II, who has no capital costs connected with the acquisition or exchange, no CGT gain or loss should arise in such a situation.

Alternatively, the Bank may elect to acquire the PERLS II in consideration for the issue of the Bank's Ordinary Shares. The number of the Bank's Ordinary Shares to be issued will be calculated by dividing the Face Value by 97.5% of the average of the daily volume weighted average sale price of the Bank's Ordinary Shares traded on the ASX during the 20 business days prior to the relevant Exchange Date.

In such a case, a PERLS II Holder may derive a capital gain upon disposition of their PERLS II. The amount of the capital gain would generally be the excess of the market value of the Bank's Ordinary Shares at the time of the disposition of the PERLS II, over the CGT cost base for the PERLS II. It should be noted that the market value of the Bank's Ordinary Shares at the time the exchange actually occurs may differ from the average of the daily volume weighted average sale price of the Bank's Ordinary Shares during the 20 business days prior to the relevant Exchange Date.

Bank requests exchange

The Bank may require that a PERLS II Holder exchange some or all PERLS II for the Bank's Ordinary Shares or, subject to APRA approval, for an amount of cash equal to the Face Value.

Where PERLS II are exchanged for the Bank's Ordinary Shares, the number of the Bank's Ordinary Shares to be issued will be calculated by dividing the Face Value by either 97.5% or 100% (depending on the circumstances) of the average of the daily volume weighted average sale price of the Bank's Ordinary Shares traded on the ASX during the 20 business days prior to the relevant Exchange Date. The tax implications for a PERLS II Holder will generally be the same as in the case where the PERLS II Holder requests exchange and the Bank elects to exchange PERLS II for Ordinary Shares in the Bank.

Where PERLS II are exchanged for an amount of cash equal to their Face Value, the PERLS II Holder's capital proceeds on disposal will equal the Face Value. For an initial PERLS II Holder of PERLS II, who has no capital costs connected with the acquisition or exchange, no CGT gain or loss should arise in such a situation.

Automatic exchange

PERLS II will be automatically exchanged for the Bank's Ordinary Shares if an APRA Event or a Default Event occurs. The tax implications for a PERLS II Holder in such a situation will generally be the same as in the case where the PERLS II Holder requests exchange and the Bank elects to exchange PERLS II for Ordinary Shares in the Bank.

Redemption of PERLS II

In certain exchange situations, a PERLS II Holder's PERLS II may be directly redeemed, rather than transferred to the Bank, for their Face Value or for the issue of the Bank's Ordinary Shares.

The issue of the Bank's Ordinary Shares in such a situation may constitute an in specie distribution by CMIL to the PERLS II Holder. In the event that any assessable gain arises in the Trust in relation to the acquisition of the Ordinary Shares in question, the PERLS II Holder's proportionate share of such an amount should be included in the PERLS II Holder's assessable income, generally as a capital gain.

2.3 Discount capital gains treatment

For PERLS II Holders who are individuals and trusts, the capital gain to be included in assessable income upon disposal, exchange or redemption of PERLS II is reduced by one-half, provided that the applicable PERLS II have been held for a period of at least twelve months, and were not disposed of pursuant to an agreement entered into within one year of their acquisition.

For a complying superannuation fund the capital gain is reduced by one-third, providing that the PERLS II have been held for a period of at least twelve months and were not disposed of pursuant to an agreement entered into within one year of their acquisition.

For these purposes, the capital gain subject to reduction is calculated as the difference between the CGT cost base (adjusted for any non-assessable distributions but without indexation for inflation) and the capital proceeds on disposal, after offsetting any available capital losses.

Discount capital gains treatment is not available to company PERLS II Holders.

2.4 Dividends paid on the Bank's Ordinary Shares

Where PERLS II are exchanged for the Bank's Ordinary Shares, any dividends paid on such shares, together with the associated franking credits where the dividends are franked, will be included in the assessable income of the (former) PERLS II Holder.

A tax offset (i.e. rebate) equal to the amount of any franking credit should generally be available to the (former) PERLS II Holder, provided that the (former) PERLS II Holder satisfies the holding period rule mentioned earlier in this letter.

2.5 Disposal of the Bank's Ordinary Shares

Where a (former) PERLS II Holder disposes of Ordinary Shares in the Bank, acquired upon an exchange of PERLS II, a CGT event will arise. The (former) PERLS II Holder will generally derive a capital gain, or make a capital loss, if the capital proceeds upon disposition differ from the PERLS II Holder's cost base of the Ordinary Shares in the Bank.

The cost base of Ordinary Shares in such a situation will be equal to the market value of the PERLS II that were the subject of the exchange, together with any capital costs connected with the acquisition and/or disposal of the Ordinary Shares.

Discount capital gains treatment, as discussed above, may apply where the Ordinary Shares have been held for at least twelve months.

2.6 Pay-as-you-go withholding tax

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

In the event that CMIL is not so notified, tax will be automatically deducted from Distributions to such PERLS II Holders at the rate of 48.5% of the gross cash Distribution.

The requirement to withhold tax will continue until such time as the relevant TFN, ABN or exemption notification is given to CMIL. PERLS II Holders will be entitled to claim an income tax credit/refund (as applicable) in respect of the tax withheld in their income tax returns.

2.7 GST

PERLS II Holders should not be liable to GST in respect of their investment in PERLS II or the exchange of PERLS II for the Bank’s Ordinary Shares.

Yours faithfully

GREENWOODS & FREEHILLS PTY LIMITED

per:



Mark Ferrier

Director

Section 9

Summary of Important Documents

Section 9 Summary of Important Documents

This Section summarises the Constitution of the Trust and other important documents. It does not summarise the PERLS II Terms of Issue. These are set out in full in Appendix A.

The following is a summary of important documents relating to the issue of PERLS II. CMIL will provide a copy of any of the documents summarised below free of charge to any person who requests a copy during the Offer Period. If you would like to obtain a copy of the documents, refer to Section 10.2 of this PDS.

9.1 Overview of terms and conditions of PERLS II and related instruments

Rights attaching to PERLS II are contained in:

- (a) the Constitution of the Trust; and
- (b) the PERLS II Terms of Issue (a schedule to the Constitution of the Trust).

The PERLS II Terms of Issue are set out in full at Appendix A. A summary of the remainder of the Constitution is set out in Section 9.2.

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

Some of the rights attaching to PERLS II are linked with rights arising under other documents, for example:

- (a) PERLS II might be exchanged for Ordinary Shares. Certain rights attaching to Ordinary Shares are set out in the Constitution of the Bank. See Section 9.3 for a summary of important rights attaching to Ordinary Shares.
- (b) The proceeds of the issue of PERLS II will be invested in Australian dollar denominated Convertible Notes issued by the Bank through its New Zealand Branch. The terms of these Convertible Notes are contained in the Convertible Note Deed. See Section 9.4 for a summary of the Convertible Note Deed.

The Convertible Notes may convert into Ordinary Shares, Preference Shares or Alternative Securities in certain circumstances.

- (c) The terms of Preference Shares into which the Convertible Notes may convert are summarised in Section 9.6. It is intended that the terms of any Alternative Securities issued will correspond to the terms of Preference Shares to the extent that is possible in the opinion of the Bank having regard to applicable laws and the requirements of relevant regulatory authorities.

9.2 Constitution of the Trust

The rights and obligations of Unit holders and the Responsible Entity are governed by the Constitution and the Corporations Act. The Responsible Entity may amend the Constitution at any time, subject to complying with the requirements of the Corporations Act.

This Section contains a summary of the main provisions of the Constitution which apply to PERLS II. This Section does not include the PERLS II Terms of Issue. For further details of the rights attaching to PERLS II, see Section 2 and the full PERLS II Terms of Issue set out in full in Appendix A.

(a) Assets held on trust and nature of Units

The Responsible Entity holds the assets of the Trust for the benefit of all Unit holders. PERLS II represent an equal undivided beneficial interest in the assets of the Trust. PERLS II do not confer an interest in a particular part of the Trust. The Constitution provides that subject to the Constitution the liability of each PERLS II Holder in its capacity as a PERLS II Holder is limited to its investment in the Trust.

(b) Class rights

The rights attaching to PERLS II cannot be cancelled, varied or adversely affected without a special resolution of PERLS II Holders and a special resolution of all Unit holders.

(c) Issue of Units

The Responsible Entity may issue new PERLS II. Unless the constitution is amended the issue price will be \$200. The Responsible Entity may also issue additional Ordinary Units at an issue price of \$200.

(d) Acceptance of Applications

Applications for PERLS II may be rejected by the Responsible Entity in whole or in part, and the Responsible Entity does not need to give any reason for the rejection.

Section 9 Summary of Important Documents

(e) Powers of the Responsible Entity

The Responsible Entity is given very wide powers under the Constitution. It has all the powers in respect of the Trust that it is possible under the law to confer on a trustee and as though it were the absolute owner of the assets of the Trust. However, the Responsible Entity (amongst other things):

- must not acquire any assets for the Trust other than Convertible Notes, Preference Shares, Alternative Securities, Ordinary Shares or monies paid to the Responsible Entity in relation to its holdings of Convertible Notes, Preference Shares or Alternative Securities;
- must not mortgage or pledge the assets of the Trust or make any loans or incur indebtedness in respect of the Trust;
- other than to a replacement responsible entity, must not sell, assign or otherwise dispose of the Convertible Notes, Preference Shares or Alternative Securities; and
- subject to a number of conditions, must not consent to any amendment to the terms of the Convertible Notes.

The Responsible Entity may appoint agents and delegates under the Constitution.

(f) Rights of Responsible Entity

Subject to the Corporations Act, the Responsible Entity and its directors, employees and associates may hold units in the Trust, may provide services to the Responsible Entity and have an interest in or enter into a transaction with the Responsible Entity or its associates, any Unitholder or any other person. The Corporations Act regulates related party transactions.

(g) Remuneration, expenses and responsibilities of Responsible Entity

The Responsible Entity is not entitled to receive any fees out of the Trust or be reimbursed for any costs incurred in its role as responsible entity of the Trust. If the Responsible Entity of the Trust is a related body corporate of the Bank, the Bank must pay the Responsible Entity a fee agreed between the Bank and the Responsible Entity and also indemnify the Responsible Entity for any costs incurred in relation to the proper performance of its duties as responsible entity of the Trust.

The Constitution provides that, subject to the Corporations Act, the Responsible Entity and each director and officer of the Responsible Entity are not personally liable to a PERLS II Holder or any other person in connection with the office of responsible entity, director or officer (as the case may be) of the Responsible Entity.

(h) Compliance Committee

Subject to the Corporations Act, the Bank indemnifies the members of the Trust's compliance committee on a full indemnity basis in respect of costs incurred by the person as a member of the Trust's compliance committee. See Section 7 for details of the Trust's compliance committee.

(i) Valuation

The Responsible Entity has a wide discretion as to when and how it values the assets of the Trust or any other asset required to be valued.

(j) Distributions

The Responsible Entity must distribute all income of the Trust for each Distribution Period. Generally, persons who are registered as PERLS II Holders on the Record Date for a Distribution Period have an absolute, vested and indefeasible interest in the income of that Distribution Period. In most circumstances, the income of the Trust is applied first in paying distributions to PERLS II Holders in accordance with the PERLS II Terms of Issue and the remaining income (if any) in paying distributions to holders of other units.

Subject to APRA's consent, in certain circumstances (such as where a Deferral Condition exists which prevents Distributions being paid to PERLS II Holders in a particular Distribution Period), the holder of the Ordinary Unit will be entitled to all of the income of the Trust unless the holder of the Ordinary Unit renounces its right to the entitlement. If the holder of the Ordinary Unit renounces its rights, the income of the Trust will be distributed to PERLS II Holders. It is a condition of the holder of the Ordinary Unit renouncing its rights that APRA agrees that the circumstances of the application of the Deferral Condition should not preclude renunciation.

(k) Transfer, redemption and exchange rights

While the Trust is admitted to the official list of ASX, PERLS II may be transferred in accordance with the Business Rules of the clearing house of ASX and the Corporations Act. Transfers of PERLS II are not effective until the transfer is registered by the Responsible Entity.

PERLS II may also be exchanged, redeemed or transferred in accordance with the PERLS II Terms of Issue.

(l) Retirement or removal of Responsible Entity

The Responsible Entity may retire or be removed as responsible entity of the Trust in accordance with the Corporations Act.

(m) Amending the Constitution

The Responsible Entity may replace or amend the Constitution in accordance with the Corporations Act.

(n) Term and termination of the Trust

The Trust terminates on the earlier of:

- the date specified by the Responsible Entity as the date the Trust will terminate in a notice given to PERLS II Holders; and
- the date on which the Trust terminates by law.

Following termination of the Trust, the Responsible Entity must distribute the assets of the Trust in specie firstly to PERLS II Holders in accordance with the PERLS II Terms of Issue and then to other Unitholders (other than PERLS II Holders) pro rata according to the number of Units they hold.

(o) Meetings

Meetings of PERLS II Holders are extensively regulated under the Corporations Act and the Constitution. The Corporations Act contains provisions dealing with calling meetings, quorum requirements, voting entitlements, polls, proxies and the manner in which meetings must be held.

(p) Complaints

The Responsible Entity must establish and maintain a procedure for dealing with complaints by PERLS II Holders in relation to the Trust. A PERLS II Holder may lodge a complaint about the Trust in writing to the Responsible Entity and the Responsible Entity must record the details of the complaint in a register, acknowledge receipt of the complaint and deal with and resolve the complaint within 10 business days of receipt of the complaint. See Section 10.3 for further details.

(q) Other

The Constitution does not provide for the Responsible Entity or the Bank to have claims against PERLS II Holders. If the Responsible Entity or the Bank had a claim against a PERLS II Holder, that holder has no right of set-off against that claim.

9.3 Rights attaching to Ordinary Shares

Ordinary Shares may be issued to PERLS II Holders by the Bank on exchange of PERLS II. Any Ordinary Shares issued will be fully-paid and will rank equally with the Ordinary Shares already on issue in all respects. Each PERLS II Holder agrees upon exchange of their PERLS II for Ordinary Shares to become a member of the Bank and to be bound by the Bank's constitution.

(a) Transfers

Transfers of Ordinary Shares are not effective until registered. Ordinary Shares are transferable, subject to the Listing Rules, and the right of the directors of the Bank to refuse to register a transfer of Ordinary Shares in very limited circumstances.

Unless otherwise required by law, the Bank is entitled to treat the registered holder as the absolute owner. Shares held by a trustee may, with the Directors' consent, be identified as being subject to the relevant trust.

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

Restrictions apply in respect of persons who become entitled to Ordinary Shares by reason of a holder's death, bankruptcy or mental incapacity. In the case of the death of a holder, the survivor or survivors jointly registered as share holders and the legal personal representatives of a sole holder are the only persons the Bank will recognise as having title to the member's interest in the shares.

(b) Dividends

Ordinary Shareholders have the right to dividends if the directors determine that a dividend is payable. Dividends are only payable out of profits of the Bank.

(c) Winding up

On winding up of the Bank, Ordinary Shares rank equally in the division of any surplus assets of the Bank.

(d) Meetings

Holders of Ordinary Shares are entitled to receive notice of, attend and subject, to the Constitution, to vote in person, by representative, attorney or proxy at general meetings of the Bank. On a show of hands each holder (regardless of the number of shares held) has one vote. On a poll, each holder has one vote for each fully paid Ordinary Share held.

(e) Issue of further shares

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

9.4 Rights attaching to Convertible Notes under the Convertible Note Deed

The funds raised by CMIL on subscription for PERLS II will be invested in Convertible Notes. Convertible Notes are Australian dollar denominated unsecured obligations of the Bank issued through the Bank's New Zealand Branch.

(a) Ranking

Payments of interest and principal under the Convertible Notes are subordinated to the Bank's obligations to its depositors and other creditors (other than subordinated creditors who are stated to rank equally with or junior to the Convertible Notes).

On a winding up of the Bank, the Convertible Notes, in practical terms, rank equally with Ordinary Shares. The process of winding up triggers an Automatic Ordinary Shares Conversion Event pursuant to which the Convertible Notes will convert into Ordinary Shares or, if the Bank is unable to issue Ordinary Shares, a claim under the Convertible Notes ranking equally with Ordinary Shares (see Section 9.4(e) below).

(b) Principal

Each Convertible Note has an outstanding principal amount on its issue date equal to its face value of \$200.

(c) Interest

Each Convertible Note bears interest in relation to each Interest Period in accordance with the following formula:

$$\text{Interest} = \frac{\text{Interest Rate} \times \text{Face Value} \times D}{365}$$

where:

- D is the number of days in the relevant period; and
- Interest Rate for each Interest Period is the sum of the Margin plus the Market Rate (being the Bank Bill Swap Rate for 90 day bills) on the first Business Day of the Interest Period multiplied by (1 – Tax Rate).

The first Interest Period ends on 15 March 2004. Until 15 March 2009 (the Initial Rollover Date), Interest Periods will end on 15 March, 15 June, 15 September and 15 December in each year.

The interest in respect of each Interest Period is payable to the Responsible Entity on the Interest Payment Date for that Interest Period (being the day that is 10 days before the last day of the relevant Interest Period), provided that day is a Business Day in Auckland (or if the Current Branch is not in New Zealand, in the city or town in which the head office of the Current Branch is located), or otherwise on the next Business Day in Auckland (or the relevant city or town, as the case may be)). Accordingly, interest for each Interest Period is payable:

- in arrears in respect of the period to and including the Interest Payment Date; and
- in advance in respect of the period from but excluding the Interest Payment Date to and including the last day of the relevant Interest Period.

Distributions on PERLS II will only be paid if the Bank pays the interest on the Convertible Notes. Interest on the Convertible Notes must only be paid if the board of the Bank (or a committee of the board of the Bank) declares or otherwise resolves to pay the interest and if no Deferral Condition exists. A Deferral Condition exists if:

- APRA has objected to the interest being paid;
- APRA has stated that the payment would result in the PERLS II no longer being treated as Tier 1 Capital; or
- there is an Insufficient Distributable Profits Circumstance which means that the interest payable on the Convertible Notes on an Interest Payment Date would exceed Distributable Profits.

If interest is not paid within 20 Business Days of an Interest Payment Date, the Convertible Notes convert into Preference Shares or Alternative Securities (see Section 9.4(e)).

If interest is not paid on an Interest Calculation Date, because the board of the Bank fails to declare the interest payable or because of a Deferral Condition, payment of that interest will be deferred and interest will accrue on that deferred interest until it is paid. The Bank may pay all or part of this unpaid interest on an Interest Payment Date if the Bank declares it payable and a Deferral Condition no longer exists. It is unlikely, however, that this additional feature will ever operate, because of the conversion of the Convertible

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Notes into Preference Shares or Alternative Securities referred to in the previous paragraph.

(d) Interest reset

On each Rollover Date, the Bank may reset:

- the next Rollover Date (which must be an Interest Calculation Date at least 12 months after the immediately preceding Rollover Date);
- the Margin; and
- the timing of the Interest Calculation Dates.

The Bank must notify the Responsible Entity of the reset terms not less than 53 Business Days before a Rollover Date.

The Margin is determined according to APRA Guidelines applying at the time of the reset.

Unless otherwise permitted by APRA, the Margin cannot be increased above the Initial Margin within the first 15 years after the date of issue of the Convertible Note but the Margin may be decreased after the first Rollover Date. For Rollover Dates occurring on or after the first 15 years, the Margin may be decreased without constraint or may be increased subject to the following limitations (unless otherwise approved by APRA):

- where a Rollover Date occurs on or after 15 March 2019, any increase or decrease in the Margin by the Bank 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 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.

provided that, if either:

- (1) the FMCS page on Bloomberg is not in existence on a particular 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

- (2) a Further Period has a term other than five years,

the Bank is required to determine an alternative reference index, which is subject to APRA approval.

- any increase in the Margin must not exceed the Margin on the immediately preceding Rollover Date plus 1%; and
- the cumulative increase in the Margin from the Initial Margin must not exceed 1%.

If the Bank does not set one of the terms referred to above, the Bank's senior credit rating as determined by at least two Ratings Agencies is lower than at the Issue Date, or APRA does not give its consent to any proposed reset terms, the relevant term will remain the same as prior to the Rollover Date or if the term is the Rollover Date, the next Rollover Date will be five years from the previous Rollover Date.

(e) Conversion

The Convertible Notes may convert into Ordinary Shares, Preference Shares, or Alternative Securities in certain circumstances.

The Convertible Notes automatically convert into Preference Shares (or if the Bank is under a legal impediment and cannot issue Preference Shares, Alternative Securities) on an Automatic Preference Shares Conversion Event. An Automatic Preference Shares Conversion Event happens:

- 40 years from the date of issue; or
- where the Bank's failure to pay interest on an Interest Payment Date has continued unremedied for a period of 20 Business Days.

The Convertible Notes automatically convert into Ordinary Shares on an Automatic Ordinary Shares Conversion Event. An Automatic Ordinary Shares Conversion Event happens:

- on an APRA Event; and
- on a Default Event.

If an Automatic Ordinary Shares Conversion Event happens at the same time as an Automatic Preference Shares Conversion Event, the Automatic Ordinary Shares Conversion Event takes precedence.

The Bank may also elect to convert the Convertible Notes into Ordinary Shares if:

- CMIL is removed or retires as responsible entity of the Trust and the Bank has not consented to such change.
- PERLS II Holders requisition a meeting to approve an amendment to the Constitution or to remove CMIL as responsible entity of the Trust and the Bank has not consented to the amendment or change in responsible entity; or

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- the ability of the Responsible Entity of the Trust to redeem PERLS II is impaired or removed.

If the Bank elects to convert the Convertible Notes in these circumstances the conversion takes effect on the first Interest Calculation Date after the Bank has given 21 days' notice of exchange.

If Convertible Notes convert into Ordinary Shares, the number of Ordinary Shares into which each Convertible Note converts is the lesser of:

- the Maximum Conversion Number (being 100 subject to adjustment as set out below); and
- the number of shares calculated by dividing the Face Value of \$200 by the amount determined by multiplying the average of the volume-weighted average sale price of Ordinary Shares on ASX during the 20 Business Days (excluding days on which trading of Ordinary Shares is suspended or does not take place) prior to the relevant conversion date by (1 – Discount Factor). The Discount Factor will be zero if the Bank has elected to convert in the circumstances set out above and otherwise is 0.025 (2.5%).

The VWAP and the Maximum Conversion Number may be adjusted to reflect transactions affecting the capital of the Bank including capital reconstructions, buy-backs, returns of capital and bonus issues and rights issues.

(f) Redemption

Subject to APRA approval, the Bank may elect to redeem all, or a proportion of, the Convertible Notes for cash equal to Face Value if:

- CMIL is removed or retires as responsible entity of the Trust and the Bank has not consented to such change;
- PERLS II Holders requisition a meeting to approve an amendment to the Trust Deed or to remove CMIL as responsible entity of the Trust, and the Bank has not consented to the amendment or change in responsible entity; or
- the ability of the Responsible Entity of the Trust to redeem PERLS II is impaired or removed.

If the Bank elects to redeem the Convertible Notes in these circumstances, the redemption takes effect on the first Interest Calculation Date to occur after the Bank has given at least 21 Business Days' notice of exchange.

Subject to APRA approval, if the Bank acquires PERLS II and has required CMIL to redeem those PERLS II, the Bank must redeem an equivalent number of Convertible Notes.

(g) Winding up

If a Conversion Event occurs but Ordinary Shares, Preference Shares or Alternative Securities have not been issued as a result of the Conversion Event and the Bank is in liquidation, the Responsible Entity is entitled to a claim against the Bank under the Convertible Notes equivalent to the claim that the Responsible Entity would have had if it had been issued with Ordinary Shares on an Automatic Ordinary Share Conversion Event but on the basis that Face Value includes any interest that has been declared, but remains unpaid, on the Convertible Notes. The Responsible Entity's claim ranks equally with the claims of the holders of Ordinary Shares in their capacity as holders of Ordinary Shares.

(h) Transfer

The Responsible Entity cannot transfer or dispose of the Convertible Notes without the Bank's consent.

(i) Change of branch/obligation of the Bank

The Convertible Notes will be issued through the Bank's New Zealand Branch.

The Bank may change the branch through which it acts in respect of the Convertible Notes.

(j) Grossing-up for tax

If Australia or New Zealand (or other jurisdiction through which the Bank acts in respect of the Convertible Notes) requires the Bank to deduct taxes from payments made to the Responsible Entity in respect of the Convertible Notes, the Bank may be required to gross-up the payments so that the amount of cash that the Responsible Entity receives is the same as that which it would have received had there been no requirement to deduct the tax. The Bank is not required to gross-up, however, where the tax is imposed because the holder or beneficial owner of PERLS II or Convertible Notes:

- has a connection with the relevant jurisdiction other than by virtue of being a holder or beneficial owner of PERLS II or Convertible Notes; or
- has failed to comply with statutory requirements or make a relevant declaration or claim.

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(k) Time limits for claims

Claims against the Bank for a payment under the Convertible Notes are void unless made within five years of the due date for that payment.

(l) Amendment

So long as CMIL holds all the Convertible Notes, the terms of the Convertible Notes may be amended by the mutual consent of the Bank and the Responsible Entity provided that the amendment:

- does not materially adversely affect PERLS II Holders unless all Unitholders consent to such amendments and the Trustee has received written advice from reputable advisers that such amendment will not increase the risk that PERLS II will not be treated as equity under Australian GAAP; and
- does not affect the treatment of PERLS II as Tier 1 Capital of the Bank, in which case the consent of APRA is required to amend the terms.

9.5 Offer Management Agreement

The Bank, Deutsche Bank and CommSec entered into the Offer Management Agreement on 27 November 2003.

Under the Offer Management Agreement, the Bank (on behalf of CMIL) appointed Deutsche Bank and CommSec (referred to in this summary as the **Investment Banks**) as joint lead managers and joint bookrunners for the Offer, Deutsche Bank as the sole underwriter to the Offer and CommSec as sole arranger and structurer for the Offer.

Under the Offer Management Agreement, the Investment Banks agree to conduct the Bookbuild principally on the basis of this PDS for the purpose, among other things, of setting the Initial Margin and determining the allocation of PERLS II to institutional investors and participating brokers.

The Offer Management Agreement contains various representations and warranties and imposes various obligations on the Bank, including representations, warranties and obligations to ensure that this PDS complies with the Corporations Act and any other applicable laws, and to conduct the Offer in accordance with the agreed timetable, the Listing Rules, this PDS and any applicable law in relevant jurisdictions.

The Offer Management Agreement imposes an obligation on the Bank to ensure that neither it, nor any member of the Group, allot, agree to allot, or announce any issues of, indicate in any way that it will allot, or otherwise authorise the issue of any domestic hybrid or preference securities with Tier One Capital status in the period commencing on 27 November 2003 and ending on the Allotment Date without the written consent of Deutsche Bank. Where Deutsche Bank, together with any of its related bodies corporate, holds 500,000 or more PERLS II as a result of its compliance with the Offer Management Agreement, that period extends for an additional 90 days following the Allotment Date.

The Bank has agreed to indemnify the Investment Banks and parties affiliated with them against claims, demands, damages, losses, costs, expenses and liabilities in connection with the Offer, other than where these result primarily from any fraud, recklessness, wilful misconduct or negligence of the party.

Underwriting

Deutsche Bank has agreed to underwrite the Offer by subscribing for any shortfall between the first 3.75 million PERLS II offered under this PDS and the aggregate of the number of PERLS II for which applications (including institutional and retail allocations under the Bookbuild) and Application Monies are received under the Offer.

Settlement support

The Investment Banks have agreed to provide settlement support for the PERLS II allocated to institutional investors and participating brokers through the Bookbuild. As part of that settlement support, the Investment Banks will pay, or procure payment of, the aggregate proceeds raised from institutional investors and participating brokers through the Bookbuild to CMIL.

Fees

The estimated fees payable to Deutsche Bank and CommSec under the Offer Management Agreement will be up to \$2.925 million each (excluding GST). The fees payable to CommSec and Deutsche Bank have been estimated on the basis of an Offer size of \$750 million, making certain assumptions as to the level of the Initial Margin and the allocation of particular components of the Offer between institutional investors and participating brokers. The actual amount payable will not be known until after the Closing Date.

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An additional incentive fee may be payable to Deutsche Bank based on the level of the Initial Margin resulting from the Bookbuild. An oversubscription fee will also be payable to each of Deutsche Bank and CommSec, calculated as 0.50% of the amount by which the gross proceeds of the Offer exceed the greater of \$750 million and the proceeds raised under the Bookbuild.

The Investment Banks will also receive estimated aggregate broker firm fees of \$4.5 million (exclusive of GST). However, the Offer Management Agreement requires that those fees be paid to broker firms participating in the Bookbuild.

The Bank must also pay, or reimburse the Investment Banks for, all reasonable costs of and incidental to any aspect of the Offer or the Offer Management Agreement.

Termination

Each Investment Bank may (whether or not with the consent of the other Investment Bank but only after consultation with the other Investment Bank) terminate its obligations under the Offer Management Agreement by notice to the Bank and the other Investment Bank if it becomes aware of the happening of any one or more of the following events:

- (a) the credit rating assigned to the Bank or to the PERLS II at the date of this agreement by Standard & Poor's or Moody's Investor Services is downgraded or withdrawn or that credit rating is placed on credit watch negative;
- (b) a material contravention by any of CMIL, the Bank or any entity in the Group, of the Corporations Act, its constitution, the Constitution, the Convertible Note Deed or any of the Listing Rules;
- (c) any of the documents published by or on behalf of CMIL in respect of the Offer (including this PDS, the Application Form and any supplementary PDS) does not comply in all material respects with the Corporations Act, the Listing Rules or any other applicable law or regulation;
- (d) CMIL seeks to retire or is removed as the responsible entity of the Trust or ASIC or another person makes an application for the appointment of a temporary responsible entity of the Trust under Part 5C.2 of the Corporations Act;
- (e) approval is refused or not granted, other than subject to customary conditions, to the official quotation of the PERLS II on ASX on or before the Allotment Date, or if granted, the approval is subsequently withdrawn, qualified or withheld;
- (f) any of the following notifications are made:
 - (i) ASIC issues an order under section 1020E of the Corporations Act;
 - (ii) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to this PDS or ASIC commences any investigation or hearing under Part 3 of the Australian Securities & Investments Commission Act 1989 (Cth) in relation to this PDS;
 - (iii) any person (other than the Investment Bank) who has previously consented to the inclusion of its name in this PDS (or any supplementary PDS) or to be named in this PDS withdraws that consent;
- (g) CMIL withdraws this PDS or the Offer;
- (h) the All Ordinaries Index of the ASX, the S&P ASX 200 or the Dow Jones Industrial Average (each a **Relevant Index**):
 - (i) closes on three consecutive Business Days at a level that is 10% or more below the level of the Relevant Index as at the close of trading on the Business Day before the date of the Offer Management Agreement (**Starting Level**);
 - (ii) closes at a level that is 10% or more below the Starting Level for consecutive days, excluding the Allotment Date, in the period of three Business Days prior to the Allotment Date;
 - (iii) closes at a level that is 15% or more below the Starting Level;
- (i) the occurrence of:
 - (i) a suspension or material limitation (in each case persisting for at least one business Day) in trading in PERLS II or generally on ASX, NZSE, the New York Stock Exchange and/or the London Stock Exchange;
 - (ii) there is a suspension or material limitation in trading in the Bank's securities on ASX (other than a trading halt in connection with the Offer);
 - (iii) a general moratorium on commercial banking activities in Australia, New Zealand, the United States or the United Kingdom is declared by the relevant authorities, or there is a material disruption in commercial banking or PERLS II settlement or clearance services in those places;

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- (j) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions or currency exchange rates or controls in Australia, New Zealand, Singapore, Hong Kong or the United States, the United Kingdom or elsewhere, which, in the judgment of the Investment Bank (acting reasonably), makes it impracticable or inadvisable to proceed with the Offer or the subscription for the PERLS II on the Allotment Date on the terms and in the manner contemplated in this PDS (or any supplementary PDS);
- (k) CMIL has not received confirmation from ASIC that the Trust Deed has been registered by ASIC by 8:00 pm (Sydney time) on 2 December 2003;
- (l) CMIL has not lodged this PDS with ASIC by 8:00 pm (Sydney time) on 2 December 2003;
- (m) any adverse change occurs (or becomes known) after lodgment of the PDS in the assets, liabilities, financial position or performance, profits, losses or prospects of CMIL, the Bank or the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Bank or CMIL), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group from those respectively disclosed in:
 - (i) this PDS;
 - (ii) any other public statements, announcements, advertisements, presentations or other materials made by or on behalf of CMIL or the Bank in connection with the Offer;
 - (iii) any other public statements, announcements, advertisements, presentations or other materials made by or on behalf of CMIL or the Bank in relation to the affairs of CMIL, the Bank or the Group within six months prior to the date of the Offer Management Agreement (taken together and having regard to the extent to which later statements may supersede earlier statements);
- (n) there occurs a new circumstance that has arisen since this PDS was lodged that would have been required to be included in this PDS if it had arisen before this PDS was lodged in relation to CMIL, the Bank or any entity in the Group;
- (o) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, the United Kingdom, Indonesia, Japan, Russia or the People's Republic of China, Iraq, North or South Korea, or any member state of the European Union or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;
- (p) a change in management or the board of directors of CMIL or the Bank occurs or a director of CMIL or the Bank is charged with an indictable offence;
- (q) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this agreement), any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets, or certain events related to taxation occur;
- (r) a default by CMIL or the Bank in the performance of any of their obligations under the Offer Management Agreement occurs;
- (s) a warranty contained in the Offer Management Agreement on the part of CMIL or the Bank is not true or correct;
- (t) a statement contained in this PDS (including any supplementary PDS) is misleading or deceptive, or a matter is omitted from the PDS (having regard to the provisions of Part 7.9 of the Corporations Act);
- (u) the due diligence report or any other information supplied by or on behalf of CMIL or the Bank to an Investment Bank in relation to the Group or the Offer (when such information is considered in aggregate in its final form) is misleading or deceptive; or
- (v) any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation.

If an event referred to in any of paragraphs (m) to (r) occurs, an Investment Bank may not terminate the Offer Management Agreement unless it has reasonable and bona fide grounds to believe and does believe that the event has or is likely to have a materially adverse effect on the outcome of the Offer or the performance of the secondary market trading of the PERLS II for the 30 day period following quotation of the PERLS II, or could give rise to a material liability of that Investment Bank in any capacity under any law, regulation, treaty, or administrative action.

9.6 Rights attaching to Preference Shares

Preference Shares may be issued to the Responsible Entity on conversion of Convertible Notes as set out in Section 9.4(e). A summary of the rights attaching to the Preference Shares is set out below.

(a) Face Value

Each Preference Share is taken to have a Face Value of \$200.

(b) Dividends

Dividends payable on Preference Shares will be calculated in accordance with the following formula:

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

where:

D is the number of days in the relevant period.

The dividend rate for each dividend period will be determined in the same manner as the Interest Rate on the Convertible Notes, being the sum of the Margin plus the Market Rate (being the Bank Bill Swap Rate for 90 day bills) applying on the first Business Day of each dividend period multiplied by the Dividend Factor which is $(1 - \text{Tax Rate})$. For the first dividend period, the dividend rate on the Preference Shares will be the Interest Rate applying to the Convertible Notes immediately before conversion of the Convertible Notes into Preference Shares. Following conversion of the Convertible Notes into Preference Shares, the dividend periods and the next Rollover Date for the Preference Shares will be the same as the Interest Period and the next Rollover Date applying to the Convertible Notes immediately before conversion.

Dividends on Preference Shares will only be paid if the board of the Bank (or a committee of the board of the Bank) declares or otherwise resolves to pay the dividend and no Deferral Condition exists. Deferral Condition has the same meaning as in the Convertible Note Deed except that it applies in relation to dividends on the Preference Shares rather than interest payable on the Convertible Notes.

If a dividend is not paid on a dividend payment date, holders of Preference Shares have no entitlement to be paid any amount in respect of the dividend. However, in this case, the Dividend Stopper will apply in relation to payments of dividends and distributions on other securities issued by the Bank.

(c) Dividend reset

On each Rollover Date, the Bank may reset:

- the next Rollover Date;
- the Margin; and
- the timing of dividend calculation dates,

in the same manner as applied to resetting the terms of the Convertible Notes (as summarised in Section 9.4(d)).

(d) Exchange

The holder of the Preference Shares may elect to exchange Preference Shares:

- on a Rollover Date; or
- if the Bank gives notice that a dividend for a dividend period will not be fully franked.

On exchange, the holders of Preference Shares will receive, at the Bank's election, one or a combination of the following alternatives:

- the number of Ordinary Shares determined as set out below; or
- \$200 cash.

Subject to APRA approval, the Bank may elect to exchange Preference Shares for Ordinary Shares and/or cash:

- on a Rollover Date;
- if a Bank Exchange Event occurs; or
- if a Regulatory or Tax Event occurs.

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Preference Shares will be mandatorily converted into Ordinary Shares if:

- an APRA Event occurs;
- a Default Event occurs; or
- a Change of Control Event occurs.

Where Preference Shares are exchanged for Ordinary Shares, the number of Ordinary Shares into which the Preference Shares convert will be calculated in the same manner as on conversion of the Convertible Notes (as summarised in Section 9.4(e)).

(e) Voting rights

Holders of Preference Shares are not entitled to vote at a general meeting of the Bank except in the following circumstances:

- 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;
- on a proposal to reduce the Bank's share capital;
- on a resolution to approve the terms of a buy-back agreement;
- on a proposal that affects rights attached to Preference Shares;
- on a proposal to wind up the Bank;
- on a proposal for the disposal of the whole of the Bank's property, business and undertaking;
- during the winding up of the Bank; or
- 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 Preference Share as those conferred on holders of Ordinary Shares in respect of each Ordinary Share.

(f) Ranking

The Preference Shares rank ahead of Ordinary Shares in priority for dividends.

If there is a return of capital on a winding up, holders will be entitled to receive out of the assets of the Bank available for distribution to holders of shares in the capital of the Bank in respect of each Preference Share held an amount equal to the lesser of \$1.00 and the amount they would have been entitled to if the Preference Shares had converted into Ordinary Shares upon the occurrence of an Automatic Ordinary Shares Conversion Event, before any return of capital is made to Ordinary Shareholders or any other class of shares or Capital Securities ranking behind Preference Shares.

Holders of Preference Shares have no further rights to participate in surplus assets on a winding up of the Bank.

(g) Transfers

Preference Shares are transferable by registration. Preference Shares will not be listed on ASX.

(h) Amendment and issue of further Preference Shares

The Bank may amend the terms of the Preference Shares subject to the approval of APRA and the consent of a majority of 75% of holders.

The Bank may amend the terms of the Preference Shares without the approval of holders before the issue of the Preference Shares if the amendment is of a minor or technical nature, made to correct a manifest error, or not likely to materially prejudice the interests of holders.

Section 10

Additional Information

10.1 Restrictions on Ownership in the Bank

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.

This restriction on ownership will only be an issue if PERLS II are exchanged into Ordinary Shares.

10.2 Availability of Documents

Following the issue of PERLS II, the Trust will be a “disclosing entity” for the purposes of the Corporations Act and will be subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require that ASX be continuously notified of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX. In particular, the Responsible Entity will have an obligation under the Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning PERLS II of which it becomes aware and which a reasonable person would expect to have a material effect on the price or value of PERLS II. The Responsible Entity will have to prepare and lodge with ASIC both yearly and half yearly financial statements accompanied by a director’s statement and report. Copies of documents lodged with ASIC in relation to the Trust may be obtained from, or inspected at, an ASIC office.

10.3 How do I access information on my investment?

The Responsible Entity will also provide retail clients with a statement on allotment of their PERLS II and a periodic statement for each reporting period.

CMIL will provide a copy of the following documents free of charge to any person who requests a copy during the Offer Period:

- the financial statements of the Bank for the year ended 30 June 2003 (being the most recent annual financial report lodged with ASIC before the lodgement of this PDS);
- any other document or financial statement lodged by the Commonwealth Bank with ASIC or ASX under the continuous disclosure reporting requirements in the period after the lodgement of the annual financial report and before lodgement of this PDS with ASIC;
- the Bank’s Constitution;
- the Constitution of the Trust; and
- the Convertible Note Deed containing the terms of the Convertible Notes.

Copies of the above documents may be obtained by request from CMIL at Commonwealth Bank Secretariat, Level 7, 48 Martin Place Sydney NSW 2000.

10.4 Consents

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

- Commonwealth Securities Limited;
- Deutsche Bank AG;
- Commonwealth Bank of Australia;
- Citigroup Global Markets Australia Pty Limited;
- Goldman Sachs JBWere Pty Ltd;
- UBS Private Clients Australia Ltd;
- Freehills;

- Greenwood & Freehills Pty Limited has given and has not, before the lodgement of this PDS with ASIC, withdrawn its consent to the inclusion in this PDS of its Taxation Letter to CMIL in the form and context in which it is included;
- Ernst & Young;
- ASX Perpetual Registrars;
- Standard & Poor's Ratings Services and Moody's Investors Service and each of them has given and has not, before the lodgement of this PDS with ASIC, withdrawn its consent to the inclusion in this PDS of its public rating of the Bank's Long Term Senior Debt and PERLS II.

10.5 Interests of Advisers

CommSec 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 the Offer Management Agreement described in Section 9.

Deutsche Bank AG has acted as Underwriter, Bookrunner and Joint Lead Manager for the Offer, in respect of which it is entitled to receive the fees and commissions described in the Offer Management Agreement described in Section 9.

Greenwood & Freehills Pty Limited has acted as tax adviser in relation to the Offer and has prepared the Taxation Letter to CMIL. In respect of this work, Greenwood & Freehills Pty Limited will be paid approximately \$125,000 (excluding disbursements and GST) for work performed by it up until the date of this PDS. Further amounts may be paid to Greenwood & Freehills Pty Limited in accordance with its time-based charges.

Freehills has acted as legal adviser to the Offer. In respect of this work, Freehills will be paid approximately \$500,000 (excluding disbursements and GST) for work performed by it up until the date of this PDS. Further amounts may be paid to Freehills in accordance with its time-based charges.

10.6 Capital Adequacy

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

10.7 ASIC Relief

ASIC has granted the CMIL and the Bank (as appropriate) modifications and exemptions from the application of provisions of the Corporations Act in relation to the following matters.

- An exemption under s601QA(1)(a) of the Corporations Act to permit the unequal treatment of Unitholders of the Trust by the Responsible Entity in any of the following circumstances:
 - (a) The Bank, in its capacity as a Unitholder of the Trust, will have the right to require the Responsible Entity to redeem any PERLS II which the Bank holds. Other Unitholders will not have this right.
 - (b) Where the Bank will hold a right or interest in shares of the Bank as a result of the exchange of PERLS II, those PERLS II will be automatically redeemed by the Responsible Entity.
 - (c) On the occurrence of specified events, PERLS II Holders other than the Bank will have their PERLS II automatically redeemed and the Bank will in these circumstances issue Ordinary Shares to those PERLS II Holders. However, the Bank in its capacity as a PERLS II Holder, will not have the benefit of this automatic redemption right. Instead, upon the occurrence of the specified events, PERLS II held by the Bank will be redeemed for no cash consideration.
- An exemption under s259C(2) to allow the issue of Ordinary Shares, Preference Shares or Alternative Securities to the Responsible Entity.
- An exemption under section 741(1) of the Corporations Act to enable persons to on-sell Ordinary Shares without an Australian disclosure document where they have received the Ordinary Shares at any time upon the exchange of PERLS II for Ordinary Shares, or otherwise as a result of the conversion or redemption of the underlying Convertible Notes, Preference Shares or Alternative Securities.

10.8 ASX Relief

The Responsible Entity and the Bank have been granted the following waivers:

- A waiver of condition 5 of Listing Rule 1.1, to permit CMIL to issue PERLS II with the rights of conversion, exchange and redemption specified in the PERLS II Terms of Issue.
- A waiver of Listing Rule 6.24 in respect of paragraph 1 of Appendix 6A to the extent necessary so that the Distribution Rate and amount of the Distribution for PERLS II need not be advised to ASX when announcing a Distribution Date and Record Date, on condition that an estimated Distribution Rate is advised to ASX and the actual rate is advised to ASX as soon as it becomes known.
- A waiver of Listing Rule 7.1.4 so that the deemed rate of conversion of Convertible Notes (for the purpose of determining whether the issue of Convertible Notes pursuant to this Offer will exceed 15% of capital) will be calculated using the market price of Ordinary Shares as at the time the Trust's intention to issue PERLS II is announced.
- A waiver of Listing Rule 10.1 to allow CMIL to acquire the Convertible Notes, Preference Shares or Alternative Securities from the Bank and to allow redemptions of PERLS II held by the Bank.
- A waiver of Listing Rule 10.1 to allow the Bank to exchange or redeem Convertible Notes, Preference Shares and Alternative Securities.
- A waiver of Listing Rule 10.11 to allow Ordinary Shares into which PERLS II may convert, exchange or redeem to be issued to the directors of the Bank and CMIL on condition that each director (and their associates) is restricted to applying in respect of no more than 0.00118% of the total issue of PERLS II (excluding any oversubscriptions) and the directors (and their associates) are collectively restricted to applying in respect of no more than 0.2% of the total issue of PERLS II.
- A waiver and confirmation that Listing Rule 10.11 will not apply to the issue of PERLS II (and any Ordinary Shares for which PERLS II may be exchanged) to fund managers, custodians and responsible entities of managed investment schemes which are controlled by the Bank.

- A waiver of Listing Rule 11.2 to permit the Trust to dispose of its main undertaking (investment in Convertible Notes, Preference Shares or Alternative Securities), as a result of the conversion, exchange or redemption of PERLS II.

ASX has given CMIL and the Bank the following confirmations:

- A confirmation that the structure and operations of the Trust are appropriate for a listed entity.
- A confirmation that under condition 6 of Listing Rule 1.1 PERLS II will be treated as the Trust's main class of securities despite the Bank holding an Ordinary Unit in the Trust.
- A confirmation that the Trust will not have to provide accounts for the last three years under Listing Rule 1.3.5(a).
- A confirmation that the terms of PERLS II are appropriate and equitable for the purposes of Listing Rule 6.1.
- A confirmation that under Listing Rule 6.2 PERLS II do not represent a separate class of securities when held by the Bank.
- A confirmation that Listing Rule 6.10 does not apply to any change of Distribution Rate, Distribution Dates and the frequency of Distribution payments.
- A confirmation that under Listing Rule 6.12 the conversion, exchange or redemption of PERLS II will not constitute a divestment of securities.
- A confirmation that Exception 4 of Listing Rule 7.2 will apply on conversion of the Convertible Notes into Ordinary Shares, Preference Shares or Alternative Securities so that Listing Rule 7.1 (which limits the number of equity securities which an entity may issue without the approval of shareholders) will not apply to the issue of the Ordinary Shares, the Preference Shares or Alternative Securities.
- A confirmation that Listing Rules 11.1.2 and 11.1.3 (which require the approval of holders of Ordinary Units) will not apply if there is a significant change to the nature or scale of the Trust's activities by reason of the conversion, exchange or redemption mechanisms set out in this PDS.

10.9 Costs of the Offer

The estimated total costs of the Offer including legal, accounting, share registry, listing, printing, advertising and other expenses, are estimated to be approximately \$13 million. All of these costs have been, or will be, paid by the Bank.

10.10 Complaints Handling Procedures

If you have any questions or complaints, simply call 1800 022 440 between 8:00am and 8:00pm (Sydney time), Monday to Friday.

If the matter is not resolved to your satisfaction, please put your complaint in writing and send it to:

ASX Perpetual Registrars Limited
Locked Bag A14, Sydney South NSW 1232
Telephone: 1800 022 440

Please mark your complaint letter and envelope "Notice of Complaint". When complaints are received, the cause of your concern will be investigated and a response will be provided to you normally within 10 Business Days. Some matters are more complex and can take a little longer to resolve. If this is the case, you will be kept informed of progress.

If you are still dissatisfied with the outcome, you have the right to complain by writing to:

Financial Industry Complaints Service Limited
PO Box 579
Collins Street West
Melbourne VIC 8007
Telephone: 1300 780 808
Facsimile: (03) 9621 2291
Email: fics@fics.asn.au

10.11 Respecting Your Personal Information

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

CMIL may disclose this information on a confidential basis to the Lead Manager, the Bank and companies that provide services on its behalf (e.g. a printing firm engaged to print and mail statements to you).

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

On occasion CMIL may use the information to tell you about other products and services that could be useful to you. CMIL may also use this information to send you marketing materials on products and services offered by other members of the Bank.

However, if you do not wish to receive any marketing materials on products and services, please tick the appropriate box on the back of the Application Form. CMIL will also disclose your information if required to do so by law or if you consent to or request the disclosure.

If you think CMIL's records of your personal information are incorrect or out of date, it is important that you contact us so that your records can be corrected. You may (subject to permitted exceptions) access the personal information CMIL holds on you at any time by contacting Customer Relations, Commonwealth Bank of Australia, GPO Box 41, Sydney NSW 2001. CMIL is permitted to charge a fee for such access but does not intend to do so.

You may choose not to give your personal information or to limit the information you provide to us. Depending on the type of information you withhold, CMIL may not be able to provide you with your requested investment, or pay income into your bank account.

10.12 Directors' Statement

Each director of CMIL consents to the lodgement of this PDS with ASIC.

This PDS has been duly signed on behalf of Commonwealth Managed Investments Limited.

This PDS is dated 2 December 2003.



Michael Cameron

Chairman

Commonwealth Managed Investments Limited

Appendix A

PERLS II Terms of Issue

1 Definitions and interpretation

1.1 Definitions

In these PERLS II Terms of Issue, unless the context otherwise requires, the following expressions have the following meaning:

Alternative Security means a share or perpetual non-cumulative security that would confer the same ranking, rights and benefits as a Preference Share to the extent that this is possible in the opinion of the Bank having regard to applicable laws and the requirements of relevant regulatory authorities;

APRA means the Australian Prudential Regulation Authority;

APRA Event means:

- (a) APRA determines that the Bank has a Tier 1 Capital ratio of less than 5% (or such other percentage as may be required from time to time by APRA) or a Total Capital Adequacy Ratio of less than 8% (or such other percentage as may be required from time to time by APRA); or
- (b) APRA issues a written directive to the Bank under applicable banking regulations, legislation or guidelines for the Bank to increase its capital; or
- (c) APRA appoints a statutory manager to the Bank or commences proceedings for the winding up of the Bank; or
- (d) the retained earnings of the Bank fall below zero;

ASIC means the Australian Securities and Investments Commission;

ASX means the Australian Stock Exchange Limited and any successor operator of the Stock Exchange operated by it;

ASX Business Rules means the Business Rules of ASX from time to time;

Automatic Exchange Notice has the meaning given to that term in clause 7.2;

Automatic Ordinary Shares Conversion Event has the meaning given to that term in clause 7.1;

Automatic Preference Shares Conversion Event means one of the following events occurs:

- (a) the date 40 years from the Issue Date; or

- (b) a failure by the Bank to pay interest on an Interest Payment Date (as that term is defined in the Convertible Note Deed) whether or not the Board has declared that interest is then payable and that failure has continued unremedied by the Bank for 20 Business Days,

which results in the Convertible Notes being converted into Preference Shares or Alternative Securities;

Bank means Commonwealth Bank of Australia ACN 123 123 124;

Bank Bill Swap Rate means the average mid-rate for bills of a term of 90 days (expressed as a percentage per annum) which average rate is displayed on the page of Reuters Monitor System designated "BBSW" (or any page which replaces that page) on the relevant date, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10:30am (Sydney time) on that date, the rate specified in good faith by the Bank at or around that time on that date having regard, to the extent possible, to:

- (a) the rates otherwise bid and offered for bills of that term or for funds of that tenor, at or around the same 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
- (b) if bid and offer rates for bills of that term are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time;

Bank Exchange Event means:

- (a) the Trustee is removed or retires as responsible entity of the Trust and the Bank has not given its consent to such change in responsible entity; or
- (b) PERLS II Holders requisition a meeting to approve an amendment to this deed or remove the Trustee as responsible entity of the Trust and the Bank has not given its consent to such amendment or change in responsible entity; or
- (c) the aggregate face value of PERLS II on issue falls below \$50 million; or
- (d) the ability of the Trustee to redeem PERLS II is impaired or removed;

Bank Exchange Notice has the meaning given to that term in clause 6.1(a);

Appendix A PERLS II Terms of Issue

Board means either the board of directors of the Bank or a committee appointed by the board of directors of the Bank;

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

Capital Security means any equity, hybrid or subordinated debt security issued by the Bank or its subsidiaries other than the Convertible Notes and any Preference Shares or Alternative Securities issued on conversion of the Convertible Notes;

Change of Control Event means:

- (a) a takeover bid (as defined in the Corporations Act) is made to acquire some or all of the Ordinary Shares on issue and the offer is, or becomes, unconditional and:
 - (1) the voting power of the offeror in the Bank is, or becomes, greater than 50%; or
 - (2) the Bank issues a statement recommending acceptance of the offer; or
- (b) a court makes an order to approve a scheme of arrangement under Part 5.1 of the Corporations Act which, when implemented, will result in a person's voting power in the Bank being more than 50%;

Change of Control Event Notice has the meaning given to that term in clause 5.2(b);

Change of Control Event Exchange Notice has the meaning given to that term in clause 5.2(c);

Convertible Note means a convertible note issued under the Convertible Note Deed;

Convertible Note Deed means the deed of that name between the Bank and the Trustee;

Corporations Act means the Corporations Act 2001 (Cth);

Default Event means:

- (a) the Bank makes a payment in breach of clause 3.4;
- (b) the Bank ceases or suspends the conduct of all of its business;
- (c) a proceeding is commenced by the Bank or a person that controls the Bank for an order that the Bank be dissolved, wound up or liquidated or for the appointment of a provisional liquidator, liquidator, receiver, receiver and manager, administrator, controller or similar official in respect of the Bank or all or substantially all of its property;

- (d) a proceeding for an order of a kind described in paragraph (c) is commenced by any other person for an order that the Bank be dissolved, wound up or liquidated and is not dismissed within 30 Business Days of filing; or

- (e) a provisional liquidator, liquidator, receiver, receiver and manager, administrator, controller or similar official is appointed in respect of the Bank or all or substantially all of its property and such appointment is not revoked or set aside within 30 Business Days of such appointment;

Discount Factor has the meaning given to it in clause 8.1;

Distributable Amount means:

- (a) unless a determination is made by the Trustee pursuant to clause (b), for a period is equal to Income;
- (b) if it is reasonable to do so in all the circumstances, the Trustee may determine that an amount which is less than Income is the Distributable Amount for a Distribution Period;

Distribution Date means:

- (a) for the Initial Period, 15 March, 15 June, 15 September and 15 December in each year;
- (b) for any Further Period, the dates determined in accordance with clause 4; and
- (c) an Exchange Date;

Distribution Entitlement means the entitlement to the Distributable Amount determined in accordance with clause 3.1;

Distribution Period means:

- (a) for the first Distribution Period occurring under this deed, the period from and including the Issue Date to and including the next Distribution Date;
- (b) for the last Distribution Period occurring under this deed, the period beginning on the day after the preceding Distribution Date to the date of termination of the Trust; and
- (c) in all other circumstances, the period beginning on the day after the preceding Distribution Date to and including the next occurring Distribution Date;

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

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

Exchange Date means:

- (a) where exchange occurs pursuant to a Reset Exchange Notice given in accordance with clause 5.1(a), on the relevant Rollover Date;
- (b) where exchange occurs pursuant to a Change of Control Event Exchange Notice given in accordance with clause 5.2(c), on the date which is 50 Business Days after the Trustee gives a Change of Control Event Notice under clause 5.2(b);
- (c) where exchange occurs pursuant to a PERLS II Holder Exchange Notice given in accordance with clause 5.3(b), on the relevant Distribution Date;
- (d) where exchange occurs pursuant to clause 5.5(d) or clause 9.4, the Exchange Date applicable under the terms of the issue of the Preference Shares or the Alternative Securities;
- (e) where exchange occurs pursuant to clause 6.1(a)(1), on the relevant Rollover Date;
- (f) where exchange occurs pursuant to clause 6.1(a)(2), 6.1(a)(3) or 6.3, on the first Distribution Date which occurs at least 21 Business Days after the Bank gives notice in accordance with clause 6.1; and
- (g) where exchange occurs pursuant to clause 7.2, the date specified in the notice given in accordance with clause 7.2;

Exchange Notice means an Automatic Exchange Notice, Bank Exchange Notice, Change of Control Event Exchange Notice, PERLS II Holder Exchange Notice or Reset Exchange Notice (as the case requires);

Face Value means \$200;

Foreign Unitholder means a PERLS II Holder whose address in the register of the Trust is a place outside Australia and its external territories;

Further Period means each period from but excluding a Rollover Date to and including the subsequent Rollover Date;

Franking Rate means the franking percentage (within the meaning of Part 3-6 of the Tax Act or any part that replaces or revises that Part) of the Distribution Entitlement or the franking percentage of the relevant distribution on the Convertible Notes, as the case may be, expressed as a decimal to four decimal places;

Fund means all cash, investments, rights and other property of the Trust;

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

Income means the gross income due and receivable by the Trust from its operations including interest, dividends, distributions and otherwise less:

- (a) expenses arising in deriving that income; and
- (b) any amount that the Trustee considers prudent or appropriate to allow for contingencies or future expenses that will or may arise in respect of the Trust;

Initial Margin means the percentage designated as such in, or in a document accompanying, the first Product Disclosure Statement mailed to potential applicants for PERLS II or otherwise published by the Trustee;

Initial Market Rate means the Bank Bill Swap Rate on the Issue Date;

Initial Rollover Date means 15 March 2009;

Initial Period means the period from and including the Issue Date to and including the Initial Rollover Date;

Issue Date means the date on which the first Convertible Note is issued under the Convertible Note Deed;

Issue Price means, in relation to a PERLS II, the issue price of that PERLS II as determined in accordance with clause 2;

Listing Rules means the Listing Rules of the ASX and any other rules of ASX which are applicable while the Trust is admitted to the Official List, including any variation, consolidation or replacement of those rules and is to be taken subject to any relevant waiver or exemption granted of or from, or confirmation of interpretation or application given by the ASX to the Trustee or the Bank in relation to, compliance with those rules;

Margin means:

- (a) for the Initial Period, the Initial Margin; and
- (b) for any Further Period, the rate determined in accordance with clause 4.1;

Market Rate means:

- (a) for the first Distribution Period, the Initial Market Rate; and

Appendix A PERLS II Terms of Issue

(b) for each subsequent Distribution Period in the Initial Period, the Bank Bill Swap Rate on the first Business Day of that Distribution Period;

Maximum Conversion Number means 100 subject to clauses 8.6 to 8.8 (inclusive);

Official List means the official list of ASX;

Official Quotation or **Officially Quoted** means official quotation by the ASX of Units;

Ordinary Shares means a fully paid ordinary share in the capital of the Bank;

Ordinary Unit means an ordinary unit in the Trust, having the rights, powers and privileges set out in the Trust Deed;

PERLS means Preferred Exchangeable Resettable Listed Shares issued by the Bank under the prospectus of the Bank dated 26 February 2001;

PERLS II means a Perpetual Exchangeable Resettable Listed Security having the rights, powers and privileges set out in the PERLS II Terms of Issue;

PERLS II Holder means a person registered as the holder of a PERLS II;

PERLS II Holder Exchange Notice has the meaning given to that term in clause 5.3(b);

Preference Share means a preference share which has rights substantially, and as far as practicable (having regard to matters including the Convertible Notes, the PERLS II Terms of Issue and the Trust Deed) similar to the shares described as PERLS except in relation to the rate of dividend and the "Reset Dates" as defined in the prospectus issued for PERLS dated 26 February 2001, which will to the extent possible correspond with the entitlements to distributions and the Rollover Dates in relation to PERLS II and the proposed terms of which are set out in the Trust Deed;

Reference Period means the period of 20 Business Days (excluding any days on which trading in Ordinary Shares is suspended or does not occur on the market conducted by ASX) immediately preceding (but not including) the Exchange Date;

Regulatory Event means:

(a) receipt by the Bank of advice from a reputable legal counsel that, as a result of any change or proposed change in any law or regulation of Australia or any

change in judicial interpretation of any such laws or regulations, additional requirements are imposed on the Bank in relation to the PERLS II, Convertible Notes, Preference Shares or Alternative Securities which the Bank determines, in its absolute discretion, to be unacceptable; or

(b) a determination by the Bank that there is a risk that the Bank is not or will not be entitled to treat all of the PERLS II and Convertible Notes or Preference Shares or Alternative Securities as Tier 1 Capital under APRA guidelines;

Reset Exchange Notice has the meaning given to that term in clause 5.1(a);

Reset Terms has the meaning given to that term in clause 4.1;

Rollover Date means the Initial Rollover Date and after that date, the dates determined in accordance with clause 4;

Special Resolution means a resolution approved by not less than 75% of all votes cast by PERLS II Holders present and entitled to vote on the resolution;

Tax Act means the *Income Tax Assessment Act 1936* (Cth) or *Income Tax Assessment Act 1997* (Cth);

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

(a) the Bank would be exposed to more than a de minimis increase in its costs including grossing-up for withholding tax in relation to the Convertible Notes; or

(b) there would be more than a de minimis increase in the taxes, duties or government charges imposed on the Trustee in respect of the PERLS II; or

(c) any payment in relation to the PERLS II, Convertible Notes or Preference Shares or Alternative Securities on issue would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act or PERLS II Holders would not be entitled to franking credits in respect of PERLS II, other than where the PERLS II Holder's lack of entitlement to franking credits in respect of PERLS II is a result of the actions of the PERLS II Holder; or

(d) any payment on the Convertible Notes will not be deductible to the Bank for New Zealand tax purposes;

Tax Rate means the Australian corporate tax rate applicable at the relevant Distribution Payment Date, expressed as a decimal, and which for the period to the first Distribution Payment Date will be taken to be 0.30;

Tier 1 Capital means the core capital of the Bank as defined by APRA;

Total Capital Adequacy Ratio means at any time the ratio so described by APRA;

Trust means the trusts constituted under the Trust Deed;

Trust Deed means the deed of that name between the Trustee and the Bank executed on or about 17 November 2003 of which Terms of Issue form Schedule 2;

Trustee includes the Trustee for the time being or any other company named in ASIC's record of registration for the Trust as the responsible entity or temporary responsible entity of the Trust;

Unit means an undivided interest in the Trust as provided for in this deed and includes an Ordinary Unit and a PERLS II;

Unit Holder means a person registered as the holder of a Unit, including any persons jointly registered;

VWAP means average daily volume weighted average price of Ordinary Shares traded on the ASX during the relevant period or on the relevant days subject to any adjustments made under clause 8.3 but does not include any transaction defined in the ASX Business Rules as "special" crossings, 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;

VWAP for PERLS II has the meaning as VWAP except that it is to be applied to PERLS II such that references to Ordinary Shares are to PERLS II.

1.2 Interpretation

Unless the context otherwise requires:

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

2 Issue of PERLS II

2.1 Issue Price

The Trustee may issue PERLS II at any time to any person at an Issue Price of \$200 per Unit.

3 Distributions

3.1 Calculation and Payment of Distribution

Subject to clause 3.2, the **Distribution Entitlement** of a PERLS II Holder with respect to each PERLS II held by that PERLS II Holder is to be determined in accordance with the following formula:

$$DE = \frac{\text{Distribution Rate} \times \text{Face Value} \times D}{365}$$

D is the number of days in the relevant Distribution Period.

3.2 Distribution Entitlements

- (a) Distribution Entitlements in relation to PERLS II are non-cumulative.
- (b) If on any Distribution Date the Distributable Amount held by the Trustee and available to be distributed to PERLS II Holders in accordance with the Trust Deed is less or greater than the aggregate Distribution Entitlement of PERLS II Holders, that lesser or greater amount only will be distributed to PERLS II Holders in respect of that Distribution Period ending on that Distribution Date and for that Distribution Period, the Distribution Entitlement of a PERLS II Holder is to be determined in accordance with the following formula:

$$DE = DA \times \frac{UH}{UI}$$

where:

DE is the Distribution Entitlement of a PERLS II Holder;

DA is the Distributable Amount available to be distributed to PERLS II Holders for the Distribution Period;

UH is the PERLS II Holder's holding of PERLS II at the close of business on the Distribution Date; and

UI is the aggregate number of PERLS II on issue at the close of business on the Distribution Date.

- (c) Where the Trust Deed or the PERLS II Terms of Issue provide for, expressly or otherwise, an in specie distribution to a PERLS II Holder:
- (1) the Distribution Entitlement will be deemed to include the Income attributable to that PERLS II Holder, which is the amount of any excess of market value of the Ordinary Shares or other property distributed to that PERLS II Holder over the cost of the Preference Shares or Alternative Security in respect of which the Ordinary Shares or property have been distributed; and

(2) the provision of the Ordinary Shares or other property to the PERLS II Holder as an in specie distribution under paragraph (1) above will be taken to be in full satisfaction of the Distribution Entitlement of that PERLS II Holder under this clause arising from that in specie distribution and the consideration for the redemption of any PERLS II of the PERLS II Holder under clause 5.5, 6.3, 7.3 or 9.4 of the PERLS II Terms of Issue or the provision of the Trust Deed providing for distribution on winding up of the Trust (as applicable) in relation to that in specie distribution.

3.3 Distribution Payment Date

The Distribution Entitlements will be paid to PERLS II Holders on the relevant Distribution Date.

3.4 Distribution Security

Subject to clause 3.5, where each PERLS II Holder is not paid their full Distribution Entitlement determined in accordance with clause 3.1 within 20 Business Days of the Distribution Payment Date, the Bank must not pay any interest, declare or pay any dividends or distribution from the income or capital of the Bank, return any capital or undertake any buy-backs, redemptions or repurchases in relation to any securities of the Bank that rank equally for interest payments or distributions with or junior to the Convertible Notes, Preference Shares or Alternative Securities unless and until:

- (a) a Special Resolution authorising the payment, capital return, buy-back, redemption or repurchase is approved; or
- (b) the Trustee has paid to PERLS II Holders their full Distribution Entitlements determined in accordance with clause 3.1 for 4 consecutive Distribution Periods; or
- (c) the Bank (with the approval of APRA) and the Trustee have paid to PERLS II Holders an amount or amounts in aggregate equal to their full Distribution Entitlements determined in accordance with clause 3.1 for 4 consecutive Distribution Periods.

3.5 Exceptions

Clause 3.4. does not apply to:

- (a) pro-rata payments on PERLS II, Preference Shares, Alternative Securities or Convertible Notes and Capital Securities that rank equally with Preference Shares, Alternative Securities or Convertible Notes;

(b) repurchases, redemptions or other acquisitions of shares in the Bank in connection with:

- (1) any employment contract, benefit plan or similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of the Bank or its related bodies corporate; or
 - (2) a dividend plan, share purchase plan or share disposal plan; or
 - (3) the issue of shares in the Bank, or securities convertible into or exercisable for shares in the Bank, as consideration in an acquisition transaction entered into prior to the occurrence of the failure to pay a distribution on the relevant Distribution Date;
- (c) an exchange, redemption or conversion of any class or series of the Bank's shares, or any shares of a subsidiary of the Bank, for any class or series of the Bank's shares, or of any class or series of the Bank's indebtedness for any class or series of the Bank's shares;
- (d) the purchase of fractional interests in shares in the Bank under the conversion or exchange provisions of the shares or the security being converted or exchanged;
- (e) any declaration of a dividend in connection with any shareholder's rights plan, or the issue of rights, shares or other property under any shareholder's rights plan, or the redemption or repurchase of rights pursuant to the plan; or
- (f) any dividend in the form of shares, warrants, options or other rights where the dividend shares or the shares issuable upon exercise of such warrants, options or other rights are the same class or series of shares as those on which the dividend is being paid or rank equal or junior to those shares.

4 Reset

4.1 Reset Terms

(a) If the Trustee receives a notice specifying changes to any of the following terms (as each of those terms are defined in the Convertible Notes Deed) (**Reset Terms**) applicable to the Convertible Notes in accordance with the Convertible Notes Deed:

- (1) the Margin;
- (2) the timing of Interest Calculation Dates; or

- (3) the next Rollover Date (which must be an Interest Calculation Date at least 12 months after the immediately preceding Rollover Date),

the following terms for PERLS II will be changed automatically to correspond to such changes:

- (4) the Margin; or
- (5) the timing of Distribution Dates; or
- (6) the next Rollover Date.

- (b) The Reset Terms will apply to the PERLS II from, but excluding, the next Rollover Date until and including the subsequent Rollover Date.

- (c) If the Trustee receives a notice specifying changes to any terms of the Preference Shares and Alternative Securities affecting the rate, timing, reset dates and other matters relating to dividends and distributions on those securities, then the terms for PERLS II will be changed automatically to correspond to those changes and the changed terms will apply from, but excluding, the next Rollover Date until and including the next Rollover Date.

4.2 Reset Notice

The Trustee must notify each PERLS II Holder in writing no later than 50 Business Days prior to each Rollover Date of the Reset Terms that will apply for the period to (and including) the next Rollover Date.

5 Exchange of PERLS II on Reset, Change of Control Event or Holder Exchange

5.1 Reset Exchange Notice

- (a) Up to six months but no later than 35 Business Days prior to a Rollover Date, a PERLS II Holder may deliver a notice to the Bank and Trustee requesting exchange of some or all of the PERLS II Holder's PERLS II (**Reset Exchange Notice**) in accordance with this clause 5.
- (b) A PERLS II Holder who has not delivered a Reset Exchange Notice to the Bank and Trustee in accordance with clause 5.1(a) will be deemed to have accepted the Reset Terms applying from that Rollover Date.

5.2 Change of Control Event Exchange Notice

- (a) The Bank must give written notice to the Trustee of the occurrence of a Change of Control Event as soon as is practicable after it becomes aware of the occurrence of the Change of Control Event.

- (b) The Trustee must give written notice to all PERLS II Holders of the occurrence of a Change of Control Event (**Change of Control Event Notice**) as soon as practicable after it receives notification of the Change of Control Event from the Bank under clause 5.2(a).

- (c) Within 20 Business Days of the Trustee sending a Change of Control Event Notice to PERLS II Holders under clause 5.2(a), a PERLS II Holder may deliver a notice to the Bank and the Trustee requesting exchange of some or all of the PERLS II Holder's PERLS II (**Change of Control Event Exchange Notice**) in accordance with this clause 5.

5.3 Exchange of PERLS II by PERLS II Holder

- (a) If a distribution on PERLS II will have a Franking Rate of less than 100% for any Distribution Period, the Bank must give written notice to the Trustee of this fact at least 50 Business Days prior to the Distribution Date for that distribution and the Trustee must notify PERLS II Holders of the fact within 5 Business Days after such notice is received from the Bank.
- (b) Where the Trustee has provided notice to PERLS II Holders pursuant to clause 5.3(a), PERLS II Holders may deliver a notice (**PERLS II Holder Exchange Notice**) to the Trustee and the Bank at least 30 Business Days prior to the relevant Distribution Date requesting exchange of some or all of the PERLS II Holder's PERLS II in accordance with this clause 5.

5.4 Method of exchange

- (a) On receipt of a Reset Exchange Notice, Change of Control Event Exchange Notice or PERLS II Holder Exchange Notice, the Bank must, subject to clause 5.4(c), elect to do one or a combination of the following on the relevant Exchange Date in respect of the PERLS II the subject of the Reset Exchange Notice, Change of Control Event Exchange Notice or PERLS II Holder Exchange Notice:
 - (1) acquire the PERLS II in consideration for the issue of a number of Ordinary Shares calculated in accordance with clause 8; or
 - (2) arrange a third party to acquire the PERLS II for cash equal to the Face Value and deliver the proceeds to the Unit Holder.

- (b) If the Bank elects more than one method of exchange under clause 5.4(a), each method must be applied to the relevant PERLS II Holders pro rata based on the number of PERLS II held.
- (c) At least 21 Business Days prior to the relevant Exchange Date, the Bank must give notice to PERLS II Holders who have lodged a PERLS II Exchange Notice, Change of Control Event Exchange Notice or PERLS II Holder Exchange Notice with the Trustee specifying the method or methods of exchange elected by the Bank under clause 5.4(a).

5.5 Redemption on exchange of Convertible Notes or Preference Shares

- (a) If the Convertible Notes have converted into Preference Shares or Alternative Securities, upon the occurrence of a Change of Control Event:

- (1) the Bank may not make an election under clause 5.4 if the Preference Shares or Alternative Securities are to be mandatorily converted into Ordinary Shares on the Exchange Date; and
- (2) if clause 5.5(a)(1) applies, the Bank must give notice to all PERLS II Holders at least 21 Business Days prior to the relevant Exchange Date specifying:
 - (A) the Exchange Date; and
 - (B) that all of their PERLS II will be redeemed in accordance with clause 9.4 on the Exchange Date in consideration for Ordinary Shares.

- (b) If the Convertible Notes have converted into Preference Shares or Alternative Securities, the Bank may not make:

- (1) an election under clause 5.4 to the extent that, upon the occurrence of an event described in clause 5.3(a), the Bank has elected under the terms of issue of the Preference Shares or Alternative Securities to:
 - (A) convert some or all of the Preference Shares or Alternative Securities into Ordinary Shares; or
 - (B) buy back or cancel some or all of the Preference Shares or Alternative Securities for cash; or
 - (C) arrange the sale to a third party of some or all of the Preference Shares or Alternative Securities for cash,
 on the relevant Exchange Date; and

- (2) an election under clause 5.4 or 6.1(a)(1) the extent that, in relation to the relevant Rollover Date, the Bank has made any election described in paragraphs 5.5(b)(1)(A), (B) and (C).

- (c) If clause 5.5(b) applies, at least 21 Business Days prior to the relevant Exchange Date, the Bank must give notice to each PERLS II Holder whose PERLS II will be redeemed in accordance with clause 5.5(d) specifying:

- (1) the Exchange Date;
- (2) the number of their PERLS II that will be redeemed in accordance with clause 5.5(d) on the Exchange Date; and
- (3) the nature of the consideration to be received by the PERLS II Holder upon redemption in accordance with clause 5.5(d).

- (d) If the Bank gives a notice in accordance with clause 5.5(c):

- (1) each PERLS II Holder who has given a Reset Exchange Notice or a PERLS II Holder Exchange Notice will have the number of PERLS II determined in accordance with the following formula redeemed on the Exchange Date:

$$\frac{X}{Y} \times N$$

where:

X the number of PERLS II the subject of the Exchange Notice from the PERLS II Holder in relation to the relevant Exchange Date;

Y the number of PERLS II the subject of all Exchange Notices from PERLS II Holders in relation to the relevant Exchange Date;

N the number of Preference Shares or Alternative Securities in respect of which the Bank has made an election described in paragraphs 5.5(b)(1)(A), (B) and (C);

- (2) if the Bank has elected to convert, buy back, cancel or arrange the sale to a third party of more Preference Shares or Alternative Securities than the number of PERLS II the subject of the Reset Exchange Notices or PERLS II Holder Exchange Notices in relation to the relevant Exchange Date, then after redeeming the PERLS II of PERLS II Holders in accordance with clause 5.5(d)(1), each

remaining PERLS II Holder will have such proportion of their remaining PERLS II bought back as represents the proportion of the additional Preference Shares or Alternative Securities the Bank has elected to convert, buy back, cancel or arrange to sell to a third party to the total number of Preference Shares or Alternative Securities remaining on issue;

- (3) if the Bank has elected to convert, buy back, cancel or arrange the sale to a third party of less Preference Shares or Alternative Securities than the number of PERLS II the subject of the Reset Exchange Notices or PERLS II Holder Exchange Notices in relation to the relevant Exchange Date, then any remaining PERLS II the subject of the Reset Exchange Notices or PERLS II Holder Notices will be exchanged in accordance with clause 5.4.

- (e) The consideration for the redemption of the PERLS II in accordance with clause 5.5(d) will be:

- (1) if Preference Shares or Alternative Securities are converted into Ordinary Shares, the issue to each PERLS II Holder of the number of Ordinary Shares determined in accordance with clause 8.1 (which will be satisfied by the Bank issuing directly or causing to be transferred to the PERLS II Holders the Ordinary Shares that would otherwise be acquired by the Trustee upon the conversion of the Preference Shares or Alternative Securities); and

- (2) if Preference Shares or Alternative Securities are bought back, cancelled or sold, for each PERLS II being redeemed, payment to the PERLS II Holder of an amount equal to the Face Value of the PERLS II.

- (f) Upon the Ordinary Shares being issued to the PERLS II Holders in accordance with clause 5.5(e)(1) or the payment of the amount referred to in clause 5.5(e)(2), the PERLS II will be taken to have been redeemed and the Bank and the PERLS II Holders will cease to have any claim in respect of them.

6 Exchange of PERLS II by Bank

6.1 Exchange of PERLS II by Bank on Rollover Date or Bank Exchange Event

- (a) The Bank may, subject to this clause 6.1 and to APRA approval if required:

- (1) subject to clause 5.5(b), at least 21 Business Days prior to a Rollover Date; or
- (2) subject to clause 6.3(a), if a Bank Exchange Event occurs; or
- (3) subject to clause 6.3(a), if a Regulatory Event or Tax Event occurs,

by notice to each PERLS II Holder and the Trustee (**Bank Exchange Notice**) elect to do one or a combination of the following on the Exchange Date:

- (4) acquire all or some (on a pro rata basis) of the PERLS II on issue in consideration for the issue of a number of Ordinary Shares calculated in accordance with clause 8.1; or
- (5) acquire all or some (on a pro rata basis) of the PERLS II on issue for cash equal to the Face Value.

- (b) If the Bank elects more than one method of exchange under clause 6.1(a), each method must be applied to the relevant PERLS II Holders pro rata based on the number of PERLS II held.
- (c) The Bank Exchange Notice must specify how many PERLS II of the relevant PERLS II Holder will be exchanged and whether the exchange will be for cash, Ordinary Shares or a combination of cash and Ordinary Shares.
- (d) The Trustee must, within 5 Business Days of receipt of a Bank Exchange Notice, notify each PERLS II Holder of the Exchange Date.

6.2 Bank Exchange Notice

If the Bank elects to exchange PERLS II pursuant to clause 6.1(a)(2) or 6.1(a)(3), the Bank must include in the notice given under clause 6.1 the relevant details of the Bank Exchange Event, Regulatory Event or Tax Event and the Exchange Date.

6.3 Redemption on Exchange of Convertible Notes or Preference Shares

- (a) The Bank may not elect to acquire PERLS II under clause 6.1(a)(2) or 6.1(a)(3) to the extent that it has elected to:
 - (1) convert Convertible Notes into Ordinary Shares or redeem Convertible Notes under clause 7.2 of the Convertible Notes Deed; or

- (2) if the Convertible Notes have converted into Preference Shares or Alternative Securities, convert, buy back or cancel those Preference Shares or Alternative Securities in accordance with their terms of issue upon the occurrence of a Bank Exchange Event, Regulatory Event or Tax Event.
- (b) The Bank must give written notice to all PERLS II Holders of any election referred to in clause 6.3(a) at the same time as notice of the election is given to the Trustee under the Convertible Note Deed.
- (c) If the Bank gives a notice in accordance with clause 6.3(b), PERLS II Holders will have such portion of their PERLS II as represents the proportion the total number of Convertible Notes, Preference Shares or Alternative Securities being converted, bought back or cancelled bears to the total number of Convertible Notes, Preference Shares or Alternative Securities held by the Trustee prior to the buy-back or cancellation automatically redeemed on the Exchange Date.
- (d) The consideration for the redemption of PERLS II in accordance with clause 6.3(c) will be:
 - (1) if Convertible Notes, Preference Shares or Alternative Securities are converted into Ordinary Shares, the issue to each PERLS II Holder of the number of Ordinary Shares determined in accordance with clause 8.1 (which will be satisfied by the Bank issuing directly or causing to be transferred to the PERLS II Holders the Ordinary Shares to be issued to the Trustee under clause 7.2 of the Convertible Note Deed or, if the Convertible Notes have converted into Preference Shares or Alternative Securities, those Ordinary Shares that would otherwise be acquired by the Trustee upon the conversion of the Preference Shares or Alternative Securities); or
 - (2) if Convertible Notes, Preference Shares or Alternative Securities are bought back or cancelled for each PERLS II being redeemed, payment to the PERLS II Holder of an amount equal to the Face Value of the PERLS II.
- (e) Upon the Ordinary Shares being issued to the PERLS II Holders in accordance with clause 6.3(d)(1) or the payment of the amount referred to in clause 6.3(d)(2), the relevant PERLS II will be taken to have been redeemed and the Bank and the PERLS II Holders will cease to have any claim in respect of them.

7 Automatic exchange of PERLS II

7.1 Automatic Ordinary Shares Conversion Event

This clause applies where one of the following events occurs (**Automatic Ordinary Shares Conversion Event**):

- (a) an APRA Event; or
- (b) a Default Event.

7.2 Automatic Exchange Notice

If an Automatic Ordinary Shares Conversion Event occurs, the Bank must notify the Trustee and each PERLS II Holder in writing of such event and the date on which the PERLS II will be redeemed in accordance with clause 7.3 which must be not more than 21 Business Days after the occurrence of the Automatic Ordinary Shares Conversion Event (**Automatic Exchange Notice**).

7.3 Redemption of PERLS II

- (a) If an Automatic Ordinary Shares Conversion Event occurs, PERLS II will automatically be redeemed on the Exchange Date in consideration for the issue to each PERLS II Holder of the number of Ordinary Shares determined in accordance with clause 8.1 which will be satisfied by:
 - (1) the issue directly to the PERLS II Holders of the Ordinary Shares to be issued to the Trustee upon the conversion of the Convertible Notes under clause 6 of the Convertible Note Deed; or
 - (2) if the Convertible Notes have converted into Preference Shares or Alternative Securities, the issue directly to the PERLS II Holders of those Ordinary Shares to be issued to the Trustee upon the conversion of the Preference Shares or Alternative Securities.
- (b) Upon the Ordinary Shares being issued to the PERLS II Holders in accordance with clause 7.3(a), the PERLS II will be taken to have been redeemed and the Bank and the PERLS II Holders will cease to have any claim in respect of them.

8 Exchange of PERLS II for Ordinary Shares

8.1 Calculation

Subject to this clause 8, if the Bank elects or is required to exchange PERLS II for Ordinary Shares pursuant to this deed, the Bank must issue to each PERLS II Holder for each PERLS II, the lesser of the number of Ordinary Shares

equal to the Maximum Conversion Number and the number of Ordinary Shares calculated in accordance with the following formula:

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

where:

NOS is the number of Ordinary Shares to be issued for each PERLS II being exchanged;

DF is the discount factor and is:

(A) zero, where clause 6.1(a)(2) triggers the operation of this clause 8.1 and the Bank's right to exchange under clause 6.1(a)(2) was triggered by an event of the kind specified in subclause (a), (b) or (d) of the definition of Bank Exchange Event; and

(B) 0.025 in any other case; and

VWAP means VWAP during the Reference Period.

8.2 Number of Ordinary Shares

If the total number of Ordinary Shares to be issued to a PERLS II Holder includes a fraction of a share, that fraction of a share will be disregarded.

8.3 Adjustments to VWAP

For the purposes of calculating VWAP under clause 8.1:

(a) where, on some or all of the Business Days in the relevant Reference Period, Ordinary Shares have been quoted on the ASX as *cum* dividend or *cum* any other distribution or entitlement and the PERLS II will convert into Ordinary Shares after that date and 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:

(1) in the case of a dividend or other cash distribution, the amount of that dividend or cash distribution; or

(2) in the case of an entitlement which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the relevant Reference Period on the Business Days on which those entitlements were traded; or

(3) in the case of an entitlement not traded on the ASX during the relevant Reference Period or a non-cash distribution, the value of the entitlement or non-cash distribution as reasonably determined by the Board; and

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

8.4 Adjustments to VWAP for capital reconstruction

Where the Ordinary Shares are reconstructed, consolidated, divided or reclassified (other than by way of a bonus issue, which is to be treated under clause 8.3) into a lesser or greater number of securities during the period in which the VWAP is calculated under clause 8.1, the VWAP shall be adjusted by the Bank as it considers appropriate to ensure that the PERLS II Holders are in an economic position in relation to their PERLS II that is as similar as reasonably practicable to the economic position prior to the occurrence of the event that gave rise to the need for the adjustment. Any adjustment made by the Bank will constitute an alteration of the PERLS II Terms of Issue and these Terms of Issue will be construed accordingly. Any such adjustment must be promptly notified to all PERLS II Holders.

8.5 Adjustments for Bonus and Rights issues

(a) Subject to paragraphs 8.5(b) and (c) below, if the Bank makes a pro rata bonus issue or a rights issue or other essentially pro rata issue (including an issue of the kind known as a "jumbo" issue, where offers to certain institutional holders (or beneficial holders) are made in advance of offers to other holders) of Ordinary Shares to holders of Ordinary Shares generally, the Maximum Conversion Number will be adjusted immediately in accordance with the following formula:

$$\text{CN} = \text{CNo} \times \text{P} \times \frac{(\text{RD} + \text{RN})}{(\text{RD} \times \text{P}) + (\text{RN} \times \text{A})}$$

Where:

- CN means the Maximum Conversion Number applying immediately after the application of this formula;
- CNo means the Maximum Conversion Number applying immediately prior to the application of this formula;
- P means the VWAP during the period from (and including) the first Business Day after the announcement of the bonus or rights issue to the ASX up to (and including) the last Business Day of trading *cum* rights or bonus issue (or if there is no period of *cum* rights or bonus issue trading, an amount reasonably determined by the Board as representing the value of an Ordinary Shares *cum* the rights or bonus issue);
- A means the subscription or unit price per Ordinary Share for a rights issue and is zero in the case of a bonus issue;
- RN means the number of Ordinary Shares issued pursuant to the rights or bonus issue; and
- RD means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the rights or bonus issue.
- (b) No adjustment to the Maximum Conversion Number will occur if A exceeds P.
- (c) Clause 8.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- (d) For the purpose of clause 8.5, an issue will be regarded as a pro rata issue notwithstanding that the Bank does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia and New Zealand, provided that in so doing the Bank is not in contravention of the Listing Rules.

8.6 Adjustments to Maximum Conversion Number for off market buy-backs

- (a) Subject to clause 8.6(b), if the Bank undertakes an off market buy-back under a scheme which but for restrictions on transfer would be generally available to holders of Ordinary Shares, the Maximum Conversion Number will be adjusted immediately in accordance with the following formula:

$$CN = CNo \times P \times \frac{(BD - BN)}{(BD \times P) - (BN \times A)}$$

Where:

- CN means the Maximum Conversion Number respectively applying immediately after the application of this formula;
- CNo means the Maximum Conversion Number respectively applying immediately prior to the application of this formula;
- P means the VWAP during the 20 Business Days prior to the announcement to the ASX of the buy-back;
- A means the buy-back price per Ordinary Share;
- BN means the number of Ordinary Shares bought back; and
- BD means the number of Ordinary Shares on issue immediately prior to the buy-back.
- (b) No adjustment to the Maximum Conversion Number will occur if P exceeds A.

8.7 Adjustment for Maximum Conversion Number for return of capital

If the Bank makes a pro rata return of capital to holders of Ordinary Shares, the Maximum Conversion Number will be adjusted in accordance with the following formula:

$$CN = CNo \times \frac{P}{(P - C)}$$

Where:

- CN means the Maximum Conversion Number applying immediately after the application of this formula;
- CNo means the Maximum Conversion Number applying immediately prior to the application of this formula;
- P means the VWAP during the period from (and including) the first Business Day after the announcement of the return of capital to ASX up to and including the last Business Day of trading *cum* the return of capital (or if there is no period of *cum* return of capital trading, an amount reasonably determined by the Board as representing the value of an Ordinary Share *cum* the return of capital); and
- C means with respect to a return of capital, the amount of the cash and/or the value (as reasonably determined by the Board) of any other property distributed to holders of Ordinary Shares per Ordinary Share (or such lesser amount such that the difference between P and C is greater than zero).

8.8 Adjustment to Maximum Conversion Number for Capital Reconstruction

If at any time the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities, the Board may if it considers it appropriate reconstruct the Maximum Conversion Number in the same way as the number of options over Ordinary Shares would be in the same context, in accordance with the Listing Rules (as they apply to the Bank).

8.9 Ordinary Shares

Each Ordinary Share issued upon conversion of a PERLS II under this schedule ranks pari passu with all other fully paid Ordinary Shares.

9 Redemption of PERLS II

9.1 Optional redemption

If the Bank acquires PERLS II from a PERLS II Holder pursuant to these Terms of Issue, the Bank may request the Trustee, and the Trustee must, redeem the number of PERLS II acquired by the Bank and requested by the Bank to be redeemed for no cash consideration.

9.2 Automatic redemption on exchange

(a) Subject to clause 9.2(b), if the Bank elects a method of exchange that would result in the Bank holding a right or interest in shares of the Bank:

- (1) the Bank must give notice to the Trustee specifying the PERLS II that would, if exchanged, result in the Bank holding a right or interest in shares of the Bank;
- (2) the Trustee must redeem on the relevant Exchange Date all PERLS II referred to in the notice under clause 9.2(a)(1) for nil consideration; and
- (3) the Bank must comply with its obligations to issue Ordinary Shares or pay the Face Value in cash to the PERLS II Holder in accordance with clause 5 or clause 6 (if applicable).

(b) If Convertible Notes have converted into Preference Shares or Alternative Securities, the Bank must not:

- (1) give notice to the Trustee in accordance with clause 9.2(a) unless the Bank is able on the Exchange Date to repurchase, cancel or arrange the sale to a third party of the number of Preference Shares or Alternative Securities equal to the number of PERLS II referred to in clause 9.2(a)(1); and
- (2) elect a method of exchange that would result in the Bank holding a right or interest in shares of the Bank unless clause 9.2(b)(1) applies or as otherwise permitted by law.

9.3 Redemption of PERLS II held by the Bank

If:

- (a) PERLS II are held by or on behalf of the Bank;
- (b) those PERLS II are not being redeemed under clause 9.1;
- (c) an Automatic Ordinary Shares Conversion Event or an Automatic Preference Shares Conversion Event occurs,

then:

- (d) the Bank must notify the Trustee specifying that the above circumstances have occurred and the number of PERLS II held by or on behalf of the Bank; and
- (e) the Trustee must, on the relevant Exchange Date, redeem each PERLS II specified in the notice given under clause 9.3(d) for no cash consideration.

9.4 Compulsory redemption of PERLS II on exchange of Preference Shares

- (a) If, in circumstances not expressly provided for in clause 5.5(a)(2) or elsewhere in these Terms of Issue:
 - (1) the Bank redeems, buys back or cancels some or all of the Preference Shares or Alternative Securities for cash; or
 - (2) the Bank arranges the sale of some or all of the Preference Shares or Alternative Securities for cash; or
 - (3) some or all of the Preference Shares or Alternative Securities are converted into Ordinary Shares,

PERLS II Holders will have such portion of their PERLS II redeemed by the Trustee on the Exchange Date as represents the proportion the total number of Preference Shares or Alternative Securities being bought back, cancelled or sold bears to the number of Preference Shares or Alternative Securities held by the Trustee prior to the buy-back, cancellation or sale.

- (b) The consideration for the redemption of the PERLS II in accordance with clause 9.4(a) will be:
- (1) if the Preference Shares or Alternative Securities are redeemed, bought back, cancelled or sold to a third party in accordance with clause 9.4(a)(1) or 9.4(a)(2), cash consideration equal to the Face Value for each PERLS II; and
 - (2) if the Preference Shares or Alternative Securities are converted into Ordinary Shares in accordance with clause 9.4(a)(3), the issue directly to the PERLS II Holders of the number of Ordinary Shares determined in accordance with clause 8.1 which will be satisfied by the Bank issuing directly or causing to be transferred to the PERLS II Holders those Ordinary Shares that would otherwise be acquired by the Trustee upon the conversion of the Preference Shares or Alternative Securities.
- (c) Upon the cash consideration being paid or the Ordinary Shares being issued to the PERLS II Holders in accordance with clause 9.4(b), the relevant PERLS II will be taken to have been redeemed and the Bank and the PERLS II Holders will cease to have any claim in respect of them.

10 Rights of PERLS II Holders

10.1 Exchange Notices

- (a) An Exchange Notice is irrevocable once given.
- (b) An Automatic Exchange Notice will prevail over any other Exchange Notice.
- (c) The Bank will not be restricted from serving a Bank Exchange Notice where a PERLS II Holder has previously delivered a Reset Exchange Notice, Change of Control Exchange Notice or a PERLS II Holder Exchange Notice. In these circumstances, the Bank Exchange Notice prevails over any Exchange Notice given by a PERLS II Holder to the extent of any inconsistency.

- (d) On the delivery or receipt of an Exchange Notice (as the case requires), a PERLS II Holder must not deal with, transfer, dispose or otherwise encumber the PERLS II which are subject of the Exchange Notice.
- (e) The Trustee will make available on request by a PERLS II Holder, the form of an Exchange Notice to be given by a PERLS II Holder.

10.2 Conversion and reclassification

- (a) The Trustee may not convert PERLS II into Units of any other class or convert Units of a class other than PERLS II into PERLS II.
- (b) The Trustee may not reclassify PERLS II as any other class of Units or reclassify a form of Units other than PERLS II as PERLS II.

10.3 Winding up

In winding up the Trust under clause 15.2 of the Trust Deed, the Trustee must pay to each PERLS II Holder (in the following priority) by way of a distribution of assets of the Fund in specie having a value equivalent to:

- (a) any Distribution Entitlement of PERLS II Holders for the preceding Distribution Period which has been declared but not paid;
- (b) where the date of winding up of the Trust is not a Distribution Date, any income that the PERLS II Holder would have been entitled to if the date of winding up of the Trust was a Distribution Date;
- (c) the Face Value for each PERLS II held by the PERLS II Holder; and
- (d) if the value of the assets of the Trust is insufficient to satisfy the full entitlement of PERLS II Holders under this clause 10.3, the assets of the Fund must be distributed in specie among PERLS II Holders pro rata in accordance with the number of PERLS II held by the PERLS II Holders.

10.4 Bank information and meetings

PERLS II Holders:

- (a) have the same rights to receive reports, accounts and notices of meetings in relation to the Bank as holders of Ordinary Shares; and
- (b) may attend general meetings of the Bank but have no right to speak or vote at such meetings.

10.5 Appointment as agent

For the purposes of clauses 5, 6, 7, 8 and 9 each PERLS II Holder appoints the Bank as its agent to do all things necessary to give effect to the acquisition of PERLS II by the Bank and/or the issue of Ordinary Shares to the PERLS II Holder (as the case requires) including completing and executing such instruments for and on the PERLS II Holder's behalf as the Bank thinks necessary or desirable to give effect to clauses 5, 6, 7, 8 and 9 (as the case requires).

10.6 Member of Bank

Each PERLS II Holder agrees upon exchange of their PERLS II for Ordinary Shares, to become a member of the Bank and to be bound by its constitution.

10.7 Foreign Unitholder

Unless the Bank is satisfied that the laws of a Foreign Unitholder's country of residence (as shown in the register of unitholders of the Trust) permit the issue of Ordinary Shares to the Foreign Unitholder, either unconditionally or after compliance with conditions which the Bank in its sole discretion regards as acceptable and not unduly onerous, the Ordinary Shares to which a Foreign Unitholder shall become entitled will be issued to a nominee who will sell those Ordinary Shares and pay the proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to that Foreign Unitholder.

11 Trustee's obligations

The Trustee must provide all reasonable assistance to the Bank to give effect to the transactions contemplated by these Terms of Issue.

12 Quotation

The Trustee must apply for Official Quotation of the PERLS II within 7 Business Days of the initial issue of PERLS II.

Appendix B

Glossary

Appendix B Glossary

The following is a glossary of the terms used in this PDS. There is also a list of defined terms in the PERLS II Terms of Issue in Appendix A.

Acceptance	Acceptance by CMIL of an offer contained in an Application Form.
Allocation	The number of PERLS II allotted to Successful Applicants.
Allotment	The allotment of PERLS II to Successful Applicants.
Allotment Date	The date on which PERLS II are allotted to Successful Applicants.
Alternative Securities	Has the meaning given to that term in the PERLS II Terms of Issue.
Application	The lodgement of an Application Form in accordance with this PDS.
Application Form	Each form attached to or accompanying this PDS upon which an offer to subscribe for PERLS II must be made.
Application Monies	The monies payable on Application, being the product of multiplying the number of PERLS II applied for by the amount of \$200.
APRA	Australian Prudential Regulation Authority.
APRA Event	Has the meaning given to that term in the PERLS II Terms of Issue.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Stock Exchange Limited ABN 98 008 624 691.
ASX Perpetual Registrars	ASX Perpetual Registrars Limited (ABN 54 083 214 537).
Automatic Ordinary Shares Conversion Event	An APRA Event or a Default Event.
Automatic Preference Shares Conversion Event	One of the following events: <ul style="list-style-type: none">• The date 40 years from the Issue Date; or• A failure by the Bank to pay interest on an Interest Payment Date whether or not the Board has declared that interest is then payable and that failure has continued unremedied by the Bank for 20 Business Days.
Bank	Commonwealth Bank of Australia (ABN 48 123 123 124).
Bank Bill Swap Rate	Has the meaning given to that term in the PERLS II Terms of Issue.
Bank Exchange Event	Has the meaning given to that term in the PERLS II Terms of Issue.
Banking Act	<i>Banking Act 1959</i> (Cth).
Bookbuild	The process referred to in Section 4.4 to determine the Initial Margin.
Broker Firm Offer	The invitation made by CMIL pursuant to this PDS for Australian resident retail investors to apply for a broker firm allocation of PERLS II from the Joint Lead Managers, Co-Managers and participating brokers to the Offer.
Broker Firm Offer Closing Date	The closing date of the Broker Firm Offer, expected to be 10:00 am 5 January 2004.
Business Day	Has the meaning given to that term in the Listing Rules.
Capital Securities	Any equity, hybrid or subordinated debt security issued by the Bank or its subsidiaries other than the Convertible Notes and any Preference Shares or Alternative Securities issued on conversion of the Convertible Notes.

Change of Control Event	Has the meaning given to that term in the PERLS II Terms of Issue.
CHESS	Clearing House Electronic Subregister System.
Closing Date	The closing date for the Broker Firm Offer which is expected to be 10:00 am 5 January 2004.
CMIL	Commonwealth Managed Investments Limited (ABN 33 084 098 180). Australian Financial Services Licence No. 235384.
Co-Managers	Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832); Goldman Sachs JBWere Pty Ltd (ABN 21 006 797 897); and UBS Private Clients Australia Ltd (ABN 50 005 311 937).
CommSec	Commonwealth Securities Limited (ABN 60 067 254 399).
Constitution	The constitution of the Trust dated 17 November as amended from time to time.
Conversion Event	An Automatic Preference Shares Conversion Event or an Automatic Ordinary Shares Conversion Event.
Conversion Ratio	The formula used to determine the number of Ordinary Shares to be issued on exchange of PERLS II in accordance with clause 8 of the PERLS II Terms of Issue.
Convertible Note	An Australian dollar denominated convertible note issued by the Bank's New Zealand Branch under the Convertible Note Deed.
Convertible Note Deed	The deed of that name between the Bank and CMIL.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Current Branch	The Bank's New Zealand branch or the branch of the Bank through which the Bank elects to act in respect of the Convertible Notes under the Convertible Note Deed.
Default Event	Has the meaning given to that term in the PERLS II Terms of Issue.
Deferral Condition	The conditions relating to the ability to pay interest as described in Section 9.4(c) and Distributions as defined in the PERLS II Terms of Issue.
Deutsche Bank	Deutsche Bank AG
Discount Factor	Has the meaning given to "DF" in clause 8.1 of the PERLS II Terms of Issue.
Distributable Profits	In relation to an Interest Payment Date, an amount calculated in accordance with the following formula: $\text{Distributable Profits} = A - B$ <p>Where:</p> <p>A is the aggregate of the consolidated net profits after income tax of the Bank and its subsidiaries for the immediately preceding two six-monthly financial periods for which results have been publicly announced (or any other amount as determined by APRA in its discretion to be appropriate in the Bank's circumstances for the purposes of the Bank's Tier 1 Capital obligations); and</p> <p>B is the aggregate amount of dividends, distributions or other amounts paid, decided to be paid or liable to be paid by the Bank or any of its subsidiaries in the 12 months to and including the Interest Calculation Date to which the Interest Payment Date relates on:</p> <ol style="list-style-type: none"> (1) PERLS II; (2) any other Tier 1 qualifying Capital Security of the Bank or any of its subsidiaries to the extent dividends or distributions on those securities are funded by the Bank or by instruments of the Bank; and

(3) any other share capital of the Bank (including Ordinary Shares),

but excluding:

(1) distributions payable in relation to the PERLS II on the Interest Calculation Date to which the Interest Payment Date relates;

(2) any such dividend, distribution or other amount to which the Bank or any of its subsidiaries was or is beneficially entitled; and

(3) any such dividend, distribution or other amount which is included in the calculation of consolidated net profit after tax within the meaning of A.

Distribution	Distributions payable to PERLS II Holders under the Trust Deed in accordance with the definition of “Distribution Entitlement” in the PERLS II Terms of Issue.
Distribution Date	<p>(a) For the Initial Period, 15 March, 15 June, 15 September and 15 December in each year;</p> <p>(b) For any Further Period, the dates determined in accordance with clause 4 of the PERLS II Terms of Issue; and</p> <p>(c) An Exchange Date as defined in the PERLS II Terms of Issue.</p>
Distribution Period	<p>(a) For the first Distribution Period, the period from and including the Issue Date to and including the next Distribution Date;</p> <p>(b) For the last Distribution Period occurring under the Constitution, the period beginning on the day after the preceding Distribution Date to the date of termination of the Trust; and</p> <p>(c) In all other circumstances, the period beginning on the day after the preceding Distribution Date to and including the next occurring Distribution Date.</p>
Distribution Rate	<p>The percentage per annum calculated in accordance with the following formula:</p> $(\text{Market Rate} + \text{Margin}) \times (1 - \text{Tax Rate}).$
Dividend Stopper	The circumstances in which the Bank is restricted from paying dividends, distributions or other amounts on certain securities as described in clause 3.4 of the PERLS II Terms of Issue.
Exchange Date	The date on which exchange occurs as defined in the PERLS II Terms of Issue.
Face Value	\$200.
Further Period	Each period from but excluding a Rollover Date to and including the subsequent Rollover Date.
General Offer	The invitation made by CMIL pursuant to this PDS for Australian resident retail investors to apply for PERLS II.
General Offer Closing Date	The closing date for the General Offer which is expected to be 12:00 noon 24 December 2003.
Group	The Bank and its subsidiaries.
Initial Margin	Set in accordance with the Bookbuild and is 0.95% per annum.
Initial Period	The period from and including the Issue Date to and including 15 March 2009.
Initial Rollover Date	15 March 2009.

Insufficient Distributable Profits Circumstance	Interest payable on the Convertible Notes, or Distributions payable on the PERLS II, (as the case may be) exceeds Distributable Profits.
Interest Calculation Date	(a) For the Initial Period, 15 March, 15 June, 15 September and 15 December in each year; (b) For any Further Period, the dates determined in accordance with clause 4 of the Convertible Note Deed; and (c) In respect of a Convertible Note, the Exchange Date for that Convertible Note.
Interest Payment Date	In relation to an Interest Period, the day that is 10 days before the Interest Calculation Date in respect of that Interest Period except that if the date for payment is not a day on which banks are open for business in Auckland (or if the Current Branch is not in New Zealand, in the city or town in which the head office of the Current Branch is located), then the next day on which banks are open for business in Auckland (or in the relevant city or town, as the case may be).
Interest Period	(a) For the first Interest Period occurring under the Convertible Note Deed, the period from and including the Issue Date to and including the next Interest Calculation Date; and (b) In all other circumstances, the period beginning on the day after the preceding Interest Calculation Date to and including the next occurring Interest Calculation Date.
Interest Rate	The percentage per annum calculated in accordance with the following formula: $(\text{Market Rate} + \text{Margin}) \times (1 - \text{Tax Rate}).$
Issue Date	The date on which the first Convertible Note is issued under the Convertible Note Deed which will be the Allotment Date.
Issue Price	\$200.
Joint Lead Manager	Each of CommSec and Deutsche Bank.
Listing Rules	The Listing Rules of ASX from time to time including any variation, consolidation or replacement of those rules and is to be taken subject to any relevant waiver or exemption granted to the Responsible Entity from, or confirmation of interpretation or application given by ASX to the Responsible Entity or the Bank in relation to, compliance with those rules.
Margin	The Initial Margin and following 15 March 2009, the rate determined in accordance with clause 4 of the PERLS II Terms of Issue.
Market Rate	The Bank Bill Swap Rate for 90 day bills applying on the first Business Day of each Distribution Period.
Maximum Conversion Number	100 subject to adjustment in accordance with the PERLS II Terms of Issue.
Offer	The invitation by the Responsible Entity to subscribe for PERLS II under this PDS.
Offer Period	The period commencing on the Opening Date and ending on the Closing Date.
Opening Date	The date the Offer opens which is expected to be 10 December 2003.

Appendix B Glossary

Ordinary Share	A fully paid ordinary share in the capital of the Bank.
Ordinary Unit	An ordinary unit in the Trust.
PDS	This product disclosure statement for the offer of PERLS II including the PERLS II Terms of Issue.
PERLS	The Bank's Preferred Exchangeable Resettable Listed Shares issued by the Bank under the prospectus of the Bank dated 26 February 2001.
PERLS II	A Perpetual Exchangeable Resettable Listed Security having the rights, powers and privileges set out in the PERLS II Terms of Issue.
PERLS II Holder	A person registered as the holder of PERLS II.
PERLS II Terms of Issue	The terms and conditions upon which PERLS II are issued as set out in full in Appendix A.
Preference Shares	Has the meaning given to that term in the PERLS II Terms of Issue.
Registry	ASX Perpetual Registrars.
Regulatory Event	Has the meaning given to that term in the PERLS II Terms of Issue.
Reset Terms	Has the meaning given to that term in the PERLS II Terms of Issue.
Responsible Entity	CMIL or such other company which replaces CMIL as responsible entity of the Trust in accordance with the Corporations Act.
Rollover Date	15 March 2009 and as subsequently determined in accordance with the PERLS II Terms of Issue.
Successful Applicant	An applicant whose Application is accepted by the Responsible Entity, whether in part or in full.
Tax Event	Has the meaning given to that term in the PERLS II Terms of Issue.
Tax Rate	The Australian corporate tax rate applicable at the relevant Interest Payment Date or Distribution Date (as the case may be), expressed as a decimal, and which for the period to the first Interest Calculation Date or Distribution Date (as the case may be) will be taken to be 0.30.
Tier 1 Capital	Has the meaning given to that term in the PERLS II Terms of Issue.
Total Capital Adequacy Ratio	Has the meaning given to that term in the PERLS II Terms of Issue.
Trust	PERLS II Trust ARSN 107 133 488.
Trust Preferred Securities	Trust Originated Preferred Reset Securities issued by CBA Capital Trust I pursuant to an offering memorandum dated 30 July 2003.
Unit	An Ordinary Unit and/or a PERLS II (as the case requires).
VWAP	Has the meaning given to that term in the PERLS II Terms of Issue.

Application Form

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Corporate Directory

Registered Head Office of the Responsible Entity

Commonwealth Managed Investments Limited
Level 7, 48 Martin Place
Sydney NSW 1155

Registered Head Office of the Bank

Commonwealth Bank of Australia
Level 7, 48 Martin Place
Sydney NSW 1155
www.commbank.com.au

Arranger and Joint Lead Manager

Commonwealth Securities Limited
Level 14, 363 George Street
Sydney NSW 2000
www.commsec.com.au
Phone 13 15 19

Underwriter and Joint Lead Manager

Deutsche Bank AG
Level 18, 225 George Street
Sydney NSW 2000

Co-Managers

Citigroup Global Markets Australia Pty Limited
Level 40, Citigroup Centre
2 Park Street
Sydney NSW 2000

Goldman Sachs JBWere Pty Ltd
Level 42, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

UBS Private Clients Australia Ltd
Level 27, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Legal Adviser

Freehills
MLC Centre, 19-29 Martin Place
Sydney NSW 2000

Tax Adviser

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

