

Target Market Determination

CommBank PERLS XIV Capital Notes (Product)

Start date: 1 March 2022

Status: Current until the close of the PERLS XIV offer

What is a Target Market Determination?

A Target Market Determination (**TMD**) describes the cohort of investors that comprise the target market for the product, being the class of investors for whom that product, including its key attributes, are likely to be consistent with their likely objectives, financial situation and needs (the **Target Market**).

It also describes any conditions around how the product is distributed to investors (the **Distribution Conditions**) and the events or circumstances where we will review the Target Market Determination for a financial product (the **Review Triggers**).

Why does CommBank need to have Target Market Determinations?

We're required to have Target Market Determinations under law. The purpose of the law is to make sure investors are at the centre of our approach when designing and distributing our financial products. This document is not a substitute for this Product's prospectus. Before deciding whether to invest in PERLS XIV, investors must consider the CBA PERLS XIV prospectus dated 1 March 2022 (including any replacement or supplementary prospectus) (**Prospectus**) in full and obtain professional advice. Applications for PERLS XIV can only be made by completing the application form in, or accompanying, the Prospectus.

Target Market

The two tables below identify the key attributes of the Product that are likely to be suitable for consumers with the likely objectives, needs and financial position of the Target Market for this Product.

For the reasons set out in the tables below, CBA has assessed that the Product including its key attributes is likely to be consistent with the objectives, needs and financial position of the Target Market.

Objectives and Needs	Key attributes
Investment objectives	
Investors seeking to invest in an alternative security issued by a bank, which provides a variable income stream (with franking credits expected to be attached).	<ul style="list-style-type: none"> • PERLS XIV are what are known as hybrid securities as they have debt and equity-like characteristics. Their terms include a number of complex features that the Australian Prudential Regulation Authority requires for hybrid securities. The features of the Product are explained in detail in the PERLS XIV Prospectus. • PERLS XIV are scheduled to pay quarterly distributions at a floating (variable) rate, based on a pre-determined formula set at issuance. • Distributions are payable at CBA's discretion, which means that they may not be paid. If CBA decides not to pay one or more distributions they will not accrue or be payable later, however, CBA will not be able to pay ordinary share dividends or return ordinary share capital until a PERLS XIV distribution is paid.
Investment timeframe	
Investors seeking to invest for the long term.	<ul style="list-style-type: none"> • PERLS XIV have no maturity date as their term is perpetual. This means that PERLS XIV may be on issue indefinitely, if they are not converted or redeemed, and holders may not receive their investment back. • PERLS XIV have 'Call Dates' starting in 2029 on which CBA may redeem some or all of the PERLS XIV and repay the face value of \$100 per PERLS XIV (Face Value). However, such redemption is subject to APRA's approval, which may not be given. • PERLS XIV have a 'Mandatory Exchange' date of June 2032 if they remain on issue at that time, but this mandatory conversion of the Product into ordinary CBA shares is subject to conditions, as set out in the PERLS XIV Prospectus and Terms.



Objectives and Needs	Key attributes
Liquidity needs	
<p>Investors seeking to have the ability to sell the Product on market at the prevailing market price if they wish to access the funds they invested.</p>	<ul style="list-style-type: none"> • PERLS XIV are expected to be ASX quoted which means that investors are expected to be able to sell their PERLS XIV on market. However, like all ASX listed products, liquidity may be low meaning that you may not always be able to sell at your preferred price or at all. • PERLS XIV may be exchanged for ordinary CBA shares, which are also expected to be ASX quoted, in certain circumstances.

Financial Situation	Key attributes
Risk profile and ability to bear loss	
<p>Investors who can accept:</p> <ul style="list-style-type: none"> • the risk of non-payment of some or all distributions; • the uncertainty in the repayment timeframe of PERLS XIV; • the risk of their investment (the Face Value) never being repaid by CBA; and • the risk of loss in the value of the Product if the Product is exchanged for ordinary CBA shares, sold on market for less than the Face Value, or written off. 	<ul style="list-style-type: none"> • PERLS XIV are not guaranteed by CBA or the government. • As described above, PERLS XIV may be on issue indefinitely. PERLS XIV may also be repaid, converted/exchanged into ordinary CBA shares or written off for no value in certain circumstances as set out in the PERLS XIV Prospectus and Terms. This means holders may not be repaid the value of their original investment (the Face Value). • PERLS XIV have 'Call Dates' on which CBA may redeem some or all of the PERLS XIV and repay the Face Value. However, such redemption is subject to APRA's approval, which may or may not be given. • If PERLS XIV are exchanged into ordinary CBA shares, the number of shares to be delivered on exchange is variable and holders of PERLS XIV may receive significantly less than the Face Value. • If exchange does not occur for any reason and CBA has not otherwise issued the ordinary CBA shares, PERLS XIV holders' rights under the relevant PERLS XIV will be immediately and irrevocably terminated (written off), resulting in the PERLS XIV holder losing all of the Face Value.



Eligibility criteria for the Product

To participate, investors will need to satisfy certain eligibility criteria, including that investors must:

- be a company or be individuals (including as a trustee of a family, hybrid, or unit trust) aged 18 years or older; and
- have an Australian residential address; and
- be either:
 - an investor who has received personal financial product advice from a financial adviser to acquire PERLS XIV, or
 - a wholesale client for the purposes of the Corporations Act.

(Eligibility Criteria).

The Eligibility Criteria apply to all distribution channels. Satisfactory evidence must be held by, or provided to, an investor's Syndicate Broker (or other relevant intermediary or third party broker) that the investor is either a wholesale client (for example by providing an in date certification from a qualifying accountant) or that the investor has received personal financial product advice (in the form of a certificate from a financial adviser or a copy of the investor's statement of advice from the financial adviser) to acquire PERLS XIV.

Investors outside of the Target Market

The Target Market does not include investors who:

- seek capital growth;
- require or seek a regular income stream and cannot tolerate the risk that distributions (which are expected to include franking credits) may not be paid or may not be regularly paid;
- cannot tolerate the risk that the Product could be converted into ordinary CBA shares;
- cannot tolerate the risk that the Face Value may not be repaid; or
- cannot tolerate the risk of not being able to sell the Product on market at a particular time and price due to low market liquidity.

Distribution Conditions

The Product can only be offered and marketed to retail investors in accordance with CBA's syndicate marketing guidelines, including consideration of the relevant ASIC Reports.

In addition, the below table identifies the distribution channels which the Product can be sold through and sets out the conditions that apply to each channel. CBA's view is that the conditions specified are appropriate and are of a nature that it will be likely that the Product will be distributed to the target market.



Distribution Channels	Conditions
Third Party	
<p>Investors who apply by making an application to Syndicate Brokers (joint lead managers and co managers) and intermediaries in their proprietary and affiliated retail distribution networks (affiliated brokers and other affiliated distributors of the Syndicate Brokers or any other intermediaries who receive a broker firm allocation through the relevant Syndicate Broker)</p>	<p>CBA permits Syndicate Brokers to distribute this Product provided they:</p> <ul style="list-style-type: none"> • have policies and procedures in relation to providing personal advice and identifying wholesale clients (to the extent applicable); • have adequate systems and processes (including as to the keeping of records) to determine whether, and evidence that, clients approached by it to participate in the offer are retail clients or wholesale clients; • undertake regular periodic due diligence on their proprietary and affiliated retail distribution networks; • offer the Product to their clients based on the below distribution conditions, the Eligibility Criteria (including that where the investor is a retail client, they have received personal financial product advice to acquire the Product) and in accordance with CBA's syndicate marketing guidelines which include consideration of the relevant ASIC reports; and • require intermediaries in their networks to sign back-to-back bid forms and confirmation letters confirming: <ul style="list-style-type: none"> • that they operate under an AFSL, are of good standing and have no current enforceable undertakings in relation to the primary distribution of listed financial products to retail clients and have been on-boarded with the Syndicate Broker for AML / KYC purposes; • that they understand and will comply with their obligations with respect to DDO; • that the investors underlying the bids filling their allocations meet the Eligibility Criteria (including that where the investor is a retail client, that they have received personal financial product advice to acquire the Product); and • other representations and warranties similar to those provided by the Syndicate Broker to CBA. <p>Investors applying through a Syndicate Broker are required to satisfy the Eligibility Criteria for the Product.</p>
<p>Other third party brokers managed via the Arranger (unless otherwise agreed)</p>	<p>Other third party brokers not part of any Syndicate Broker's proprietary and affiliated retail distribution network are also required to provide attestations to the Arranger and CBA that they have screened their applicants to confirm that the investor has satisfied the Eligibility Criteria (including that where the investor is a retail client,</p>



Distribution Channels	Conditions
	they have received personal financial product advice to acquire the Product) for the Product and to satisfy the distribution conditions as for Syndicate Brokers.

Review Triggers

If any of the below review triggers occur, or if an event or circumstance has occurred that would reasonably suggest that the TMD may no longer be appropriate, CBA will undertake a review of this TMD:

Information Type	Description
Complaints	<ul style="list-style-type: none"> A material number of complaints are received in relation to the Product or its distribution from investors seeking to acquire the Product.
Incident Data	<ul style="list-style-type: none"> A material incident or significant number of incidents in relation to the Product's design or distribution that identify potential breaches of our legal or regulatory obligations in relation to the Product.
Significant Dealings	<ul style="list-style-type: none"> Any significant dealing of the Product to retail customers who are outside of the Target Market and have not received personal financial product advice to acquire the Product.
Notification from ASIC	<ul style="list-style-type: none"> The receipt of a product intervention power order or directions from ASIC requiring CBA to immediately cease retail product distribution conduct in respect of the Product.
Change in law	<ul style="list-style-type: none"> There is a change in law or its application, or APRA or other regulatory guidance that materially affects the Product.



Review Trigger Information Reporting Requirements

The following information must be provided to CBA by all third parties engaged in (or responsible for other entities engaged in) retail product distribution conduct of this Product in accordance with this TMD, within the required timeframes:

Information Type	Description	Time Frame for Reporting
Product complaints data	Information relating to any complaints received during the reporting period, including the number of complaints (if one or more), third party distributor identifier information, and complaint verbatim (to the extent permitted under privacy and other laws).	Weekly report during the offer period.
Significant Dealings	Information relating to any significant dealing of the Product to investors who are outside of the Target Market.	As soon as practicable, and in any case, no later than 10 business days after the third party becoming aware of the significant dealing.

