



Commonwealth Bank

PUBLIC SHARE OFFER

by the Australian Government

*This is a historical copy of CBA's 1996 offer document — not current disclosure.
Do not rely on this document for any current investment decision.*



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About this Offer Document

This Offer Document contains information about the Offer by the Australian Government of approximately 399.1 million shares in the Commonwealth Bank of Australia which are owned by the Commonwealth of Australia. Payment for the Sale Shares is in two instalments with a fixed First Instalment of \$6.00 per Sale Share and a Final Instalment payable by 14 November 1997.

This Offer Document contains information about:

- The Offer, including the basis on which the Final Instalment amount will be determined
- How to apply for Sale Shares
- How the Sale Shares are to be paid for in two instalments
- The historical performance and financial position of the Commonwealth Bank and other information about the Bank including its agreement to buy back 100 million shares from the Commonwealth.

If you wish to apply for Sale Shares you must complete an Application form attached to, or accompanying, this Offer Document. If you have received a personalised Application form with this Offer Document, you should use that form.

Investors with questions about procedures for investing in the Commonwealth Bank should contact their stockbroker, accountant or financial adviser or call the Telephone Information Centre on **13 33 88**.

Important Dates

Public and Shareholder Entitlement Offers open	17 June 1996
Public and Shareholder Entitlement Offers close	5 July 1996
Institutional Offer opens	9 July 1996
Institutional Offer closes	12 July 1996
Final Price and Final Instalment amount and basis of Sale Share allocation announced	13 July 1996
Deferred settlement trading of Instalment Receipts expected to commence on the Australian Stock Exchange	15 July 1996
Expected dispatch of certificates and holding statements	26 July 1996
Last date for payment of Final Instalment	14 November 1997

Global Co-ordinator

J.B. Were & Son

Joint Lead Managers

County NatWest
Securities Australia Limited

CS First Boston

Salomon Brothers Inc

J.B. Were & Son

Co-Lead Managers (Australia)

Macquarie Underwriting
Limited

McIntosh Corporate
Limited

Ord Minnett Corporate
Finance Limited

Co-Lead Managers (International)

ABN AMRO Australia
Hoare Govett Limited

Cazenove & Co.

Daiwa Securities
Australia Limited

Business Adviser to the Commonwealth

Bain & Company Corporate Finance Limited

Important Notice

This Offer Document is not a prospectus and is not required to be lodged with, or registered by, the ASC. This document has, however, been provided to the ASC for information purposes. The ASC takes no responsibility for the contents of this Offer Document.

As this Offer Document is not a prospectus it does not provide, and does not purport to provide, the type of information concerning the Commonwealth Bank that would be contained in a prospectus. In addition, the Commonwealth of Australia is not bound by the prospectus requirements of the Corporations Law. As such, the prospectus provisions of Part 7.12 of the Corporations Law and the prospectus liability provisions of Part 7.11 of the Corporations Law do not apply to the Commonwealth in respect of this Offer Document.

The Commonwealth has taken reasonable steps to ensure that the information in this document is accurate and not misleading, but the Commonwealth of Australia, any person named in the directory and KPMG Corporate Finance (NSW) Pty Ltd, do not accept any responsibility for any public information made available by the Commonwealth Bank of Australia, including any such information contained in this Offer Document.

The Commonwealth Bank has not been involved in the preparation of this Offer Document and the Commonwealth Bank has not authorised or caused the issue of this Offer Document. The Commonwealth Bank has advised the Government that it will not accept responsibility for the information contained in this Offer Document. The Commonwealth Bank has declined to provide any material non publicly available information to the Commonwealth for the purpose of this Offer in relation to the assets and liabilities, financial position, profits and losses and prospects of the Commonwealth Bank.

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

This Offer Document is dated 5 June 1996.

Certain terms in this Offer Document have defined meanings which are set out in the Glossary.

This document is a historical copy of CBA's 1996 offer document.

It is provided for archival reference only, is not current disclosure, and must not be relied on for any current investment decision.



Minister for Finance

Hon John Fahey, MP

5 June, 1996
Parliament House
Canberra ACT 2600

Dear Investor,

On behalf of the Australian Government, I am pleased to offer you the opportunity to acquire shares in the Commonwealth Bank of Australia.

In this Offer, the Commonwealth intends to sell all its remaining Commonwealth Bank shares. The Offer follows the Commonwealth Bank's capital raising in 1991 and the Commonwealth's sale of 19.9 per cent of the Bank's capital in 1993. Sale of the Commonwealth shareholding will allow the Commonwealth Bank to develop as an independent publicly owned financial institution.

This sale of the Bank's existing share capital is being conducted in conjunction with a share buy-back by the Bank of approximately 10 per cent of the Bank's share capital. Shareholders of the Commonwealth Bank approved the terms of the buy-back at a General Meeting held on 14 May 1996.

I take this opportunity to commend the Public Share Offer to existing and prospective shareholders. The Commonwealth Bank has played a very significant role in the development of the Australian financial markets over the last 84 years. I fully expect that it will continue to meet the needs of the Australian community in the years ahead as a publicly owned financial institution operating in a competitive industry environment.

This does not mean that any investment in shares in the Commonwealth Bank as a result of this Offer, or otherwise, is in any way guaranteed by the Commonwealth. Prospective investors should be aware of this and should recognise that the value of shares can go down as well as up.

The proceeds from the sale will go to the Commonwealth and be applied to Consolidated Revenue.

I wish the management and staff of the Commonwealth Bank every success in the future.

Yours sincerely


JOHN FAHEY



Historical
Do not

offer document
for any current

1926
48 Martin Place, Sydney under construction. Completed in 1928 as the new Head Office for the Government Savings Bank of New South Wales.

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Brochure Cover for opening of
48 Martin Place, Sydney.



This document is a historical copy of GBA's 1996 offer document.

It is provided for archival reference only, is not current disclosure, and must not be relied on for any current investment decision.

Introduction

Section 1 is an introduction and is not a summary of the Offer Document. It should accordingly be read in conjunction with the rest of the Offer Document.

1.1

Description of the Offer and pricing

The Commonwealth currently owns approximately 499.1 million shares in the Commonwealth Bank, representing 50.4% of the total shares on issue. The balance of the Commonwealth Bank's issued share capital is held by the public and by institutional investors in Australia and overseas. On 14 May 1996, shareholders of the Commonwealth Bank approved the acquisition by the Commonwealth Bank of 100 million of its shares from the Commonwealth on the terms and conditions set out in Section 3.

The Australian Government is now inviting offers for the purchase of the balance of its holding, being approximately 399.1 million shares. Payment for the Sale Shares is to be made in two instalments. The First Instalment is fixed at \$6.00 per Sale Share and is payable upon Application (for the Public and Shareholder Entitlement Offers) or at settlement (for the Institutional Offer). The Final Instalment, to be determined by the Final Price set in the Institutional Offer, is payable by 14 November 1997.

The Offer has three parts:

- The Public Offer, which is open to members of the Australian public. All Applicants must apply for a minimum of 300 Sale Shares.
- The Shareholder Entitlement Offer, which is open to shareholders of the Commonwealth Bank whose registered address is in Australia and who were registered as shareholders at 5.00p.m. (Sydney time) on 4 June 1996. Shareholders participating in the Shareholder Entitlement Offer must apply for a minimum of 50 Sale Shares.



- The Institutional Offer, which is made to Australian and international institutions and members of the ASX. Institutions and members of the ASX must bid for a minimum of 20,000 Sale Shares.

Applicants under each of the Public, Shareholder Entitlement and Institutional Offers will pay the same First Instalment amount of \$6.00 per Sale Share.

The Offer is not underwritten. The Australian Government reserves the right to withdraw or modify the Offer at any time before the Acceptance of offers to purchase the Sale Shares.

Setting the Final Price

At the close of the Institutional Offer, after consulting with the Joint Lead Managers, the Australian Government will determine the Final Price of the Sale Shares. The Final Price is expected to be announced on 13 July 1996 and may differ from the market price of Commonwealth Bank shares at the time.

The Final Price will determine the amount of the Final Instalment payment to be made by 14 November 1997. Applicants under each of the Public, Shareholder Entitlement and Institutional Offers who do not sell early or pre-pay the Final Instalment before it is due will pay the same Final Instalment amount per Sale Share.

1.2

Applying for Sale Shares

An Application for Sale Shares in the Public Offer can only be made by completing, signing and lodging an Application form attached to or accompanying this Offer Document.

If you are a shareholder whose registered address is in Australia and are applying under the Shareholder Entitlement Offer, you should complete the Shareholder Entitlement Application form which is being provided to you. If you have not received a Shareholder Entitlement Application form you should contact the Telephone Information Centre on 13 33 88.

Detailed instructions on how to complete the Application forms are set out in the Application section in this document. These Application forms should be used if you have not received a personalised Application form.

Application forms must be accompanied by a cheque payable in Australian dollars for the First Instalment amount of \$6.00 per Sale Share for the number of Sale Shares for which you wish to apply. All cheques must be made payable to "CBA3 - Share Offer". No stamp duty or brokerage is payable by Applicants on the purchase of Sale Shares in this Offer.

Completed Application forms and cheques should be delivered or sent to a stockbroker or mailed to "CBA3 - Share Offer" at the address given in Section 2.3 or delivered to any branch in Australia of the Commonwealth Bank.



Applications must be received at the Application Processing Centre by no later than 5.00pm local time on 5 July 1996. Applications received at a branch of the Commonwealth Bank in Australia will be treated as having been received at the Application Processing Centre.

1.3

Instalment Receipts

Successful Applicants will be registered as holding a new type of marketable security called Instalment Receipts. Each Instalment Receipt will evidence the ownership of the Beneficial Interest in a particular Sale Share. Commonwealth Instalment Receipt Trustee Limited ("Trustee") will be the registered holder of the Sale Shares. Until payment of the Final Instalment, the Trustee will hold the Sale Shares in trust for:

- Instalment Receipt holders, as to the Beneficial Interest; and
- the Commonwealth, as to the Security Interest.

On payment of the Final Instalment, Instalment Receipt holders will become the registered holders of the Sale Shares.

Summary

A summary of the major features of the Instalment Receipts is presented in the following table. A more detailed description of the terms and conditions is set out in Section 2.10. Other details about the Instalment Receipts and relevant documentation including the Trust Deed are in Section 5.1.

CBA-TV: Daily communication with staff.



Major Features of Instalment Receipts

Relationship with Commonwealth Bank shares

Each Instalment Receipt represents the Beneficial Interest in one Sale Share.

Instalment Payments

First Instalment of \$6.00.

Balance of Final Price payable by 14 November 1997 (being the Final Instalment). The last registered holder of an Instalment Receipt has the obligation to pay the Final Instalment. If the Final Instalment is not paid by the due date, the Trustee can sell the corresponding Sale Shares, and, if the net sale proceeds are insufficient to satisfy the Final Instalment, the Trustee can take action to recover the deficiency.

A reminder notice will be sent to Instalment Receipt holders approximately 6 weeks prior to the Final Instalment Payment Date. The Final Instalment may be paid early.

Dividends

Amounts equivalent to the full dividend per share will be paid to Instalment Receipt holders at the same time as the dividends are paid to Commonwealth Bank shareholders.

Tax Credits

Franking of dividend amounts at same rate as Commonwealth Bank dividends (currently fully franked).

DRP

Participation in any Commonwealth Bank Dividend Reinvestment Plan.

Entitlements Offers

It is intended that, so far as possible, participation in any new issues by way of entitlements offers by the Commonwealth Bank will be on the same terms as Commonwealth Bank shareholders.

Voting

Voting rights on Commonwealth Bank shareholder resolutions are exercisable by voting direction to the Trustee.

Meetings

Instalment Receipt holders will be permitted to attend Commonwealth Bank meetings.

Annual Reports and Notices

Instalment Receipt holders will receive the Annual Report and all notices sent to Commonwealth Bank shareholders.

Sale and Transfers

Instalment Receipts will be traded on the ASX. For on-market sales, ASX settlement procedures will apply. Off-market transfers may and transmissions will require written acknowledgment from the transferee of the obligation to pay the Final Instalment.

Restrictions affecting Lenders

Instalment Receipt holders cannot create any encumbrance (such as a mortgage) over a Sale Share or create any encumbrance in respect of an Instalment Receipt, or otherwise, which is capable of extending to the underlying Sale Share before the Final Instalment is duly paid.

Trading of the Instalment Receipts

Trading of Instalment Receipts on the ASX is expected to commence on a deferred settlement basis on the first Business Day following the close of the Institutional Offer. This is expected to occur on 15 July 1996.

Instalment Receipt holding statements and certificates will be sent to successful Applicants approximately 10 Business Days after the commencement of trading on the ASX.

Factors relating to investing in Instalment Receipts

The value of Instalment Receipts will be influenced by a number of factors, including:

- the price of Commonwealth Bank shares;
- interest rates; and
- the time remaining to the last day for payment of the Final Instalment.



Many factors can influence movements in the price of Commonwealth Bank shares. These include company specific factors such as the level of the Commonwealth Bank's profit and dividend payments, and external factors such as movements in the general level of prices on the local and international share markets and developments within the banking industry generally. Variations in government policy and regulation can also influence the price of Commonwealth Bank shares. Consequently, investors should recognise that prices of shares can fall as well as rise.



The original safe.

It is important to note that for any given percentage movement in the market price of Commonwealth Bank shares, the percentage movement in the price of Instalment Receipts is likely to be greater as only partial payment of the purchase price has been made.

The price of the Sale Shares, payable in two instalments, is determined at the time of purchase. Investors should be aware that at the time of the payment of the Final Instalment, the market price of Commonwealth Bank shares may be less than the total of the First and Final Instalments.

If investors have any doubt about a decision to invest, they should seek professional advice from a stockbroker, financial adviser, accountant or other suitably qualified adviser.

1.4

Commonwealth Bank: recent profitability and dividends

Profit

The following table sets out the profitability of the Commonwealth Bank since listing in September 1991.

Recent Commonwealth Bank Profitability

	Net Profit ⁽¹⁾	Earnings per Share	Return on Average Shareholders' Equity ⁽²⁾
Year to 30 June 1992	\$409m	51.5¢	8.3%
Year to 30 June 1993	\$443m	51.7¢	8.0%
Year to 30 June 1994	\$682m	76.9¢	11.8%
Year to 30 June 1995	\$983m	106.4¢	15.7%
Half Year to 31 December 1995	\$542m	56.6¢	16.1%

(1) Operating Profit after abnormal items, income tax and outside equity interests.

(2) Averages are based on beginning and end of period balances.

Source: Commonwealth Bank annual and half-year reports.



The profit result for the year ending 30 June 1996 is expected to be announced by the Commonwealth Bank on 20 August 1996. In the Commonwealth Bank's Profit Announcement for the Half Year Ended 31 December 1995 released on 19 February 1996, it was stated that "Directors expect the rate of growth in the Bank's earnings during 1995/96 to be lower than that recorded in the past two years. Despite the slowing in earnings growth, earnings for the second half are likely to at least match those of the first half."

One factor influencing earnings per share and return on shareholders' funds in 1996/97 is the intended buy-back by the Commonwealth Bank of 100 million of the Commonwealth's shares, approved by shareholders on 14 May 1996. KPMG Corporate Finance (NSW) Pty Ltd - the Independent Expert appointed by the Commonwealth Bank to assess the terms of the Share Buy-back - assessed that the proposed Share Buy-back is expected to increase earnings per share by approximately 6% and the return on shareholders' funds from approximately 16% to approximately 18%. These estimates are calculated on an annual basis and assume the maximum Share Buy-back price of \$10.70 per share.

Another factor is the Commonwealth Bank's response to competitive pressures in the home loan market. In this context, the Commonwealth Bank announced to the ASX on 31 May 1996 that the standard variable home loan interest rate will be reduced from 10.5 per cent to 9.9 per cent effective from 15 July 1996. The Commonwealth Bank also announced a new housing loan product called "Economiser Home Loan" with a variable interest rate of 8.9 per cent for those customers not requiring all the features of the standard home loan. The Commonwealth Bank said the following:

"Earnings for 1995/96 should not be affected by these changes. Directors have re-affirmed their commitment to the dividend policy outlined in the Bank's interim profit announcement, with the ratio of dividend per share to earnings per share for 1995/96 being broadly consistent with the full year ratio in past years.

The Bank is endeavouring to limit earnings diminution with both improved business levels and improved business mix under the new pricing structure. The changes are expected to contribute to more sustainable returns from home lending and lead ultimately to an improvement in returns from other classes of business currently subsidised by home lending. However, the Bank's capacity to maintain returns to shareholders in the medium to longer term remains vulnerable to the government's intervention in the pricing of banks' retail transaction accounts and the interest rate suasion implicit in its policy of deeming of income for pensioners.

With the effect of the changes in home loan interest rates, and the funding of the buy-back of shares, the Bank expects limited or no growth in earnings for 1996/97. Positive growth in earnings per share is still expected in 1996/97 following the share buy-back as a result of the reduced number of issued shares."

There is also a wide range of other factors, both positive and negative, that could influence the Commonwealth Bank's future performance and profitability. Further details are provided in Sections 3 and 4.

Details of the Commonwealth Bank's historical financial performance and position are provided in Section 4.

Dividends

The following table sets out the dividends paid by the Commonwealth Bank since listing. All dividends have been fully franked. The interim dividend for the half year to 31 December 1995 was franked at the rate of 36%.

Dividends Paid by the Commonwealth Bank

Year to	Interim (¢ per share)	Final (¢ per share)	Total (¢ per share)	Payout Ratio (%) ⁽¹⁾
30 June 1992	20	20	40	77.7
30 June 1993	20	22	42	81.2
30 June 1994	24	36	60	78.0
30 June 1995	36	46	82	77.1
30 June 1996	38	nr	nr	nr

(1) Dividends per share divided by earnings per share.

nr: not yet reported

Source: Commonwealth Bank Annual Reports and half-year reports

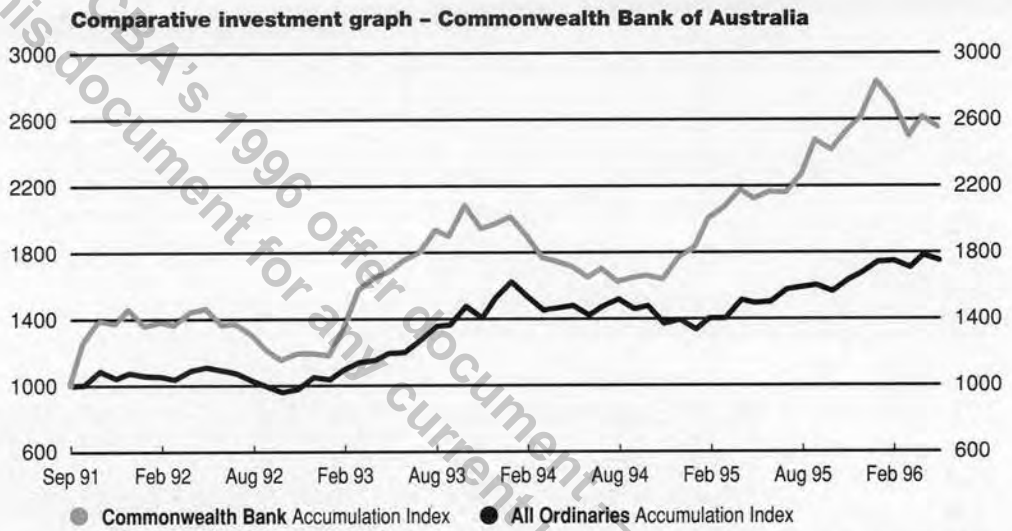
The next dividend expected to be paid by the Commonwealth Bank will be the final dividend for the year ending 30 June 1996, anticipated to be paid on 8 October 1996.

CBA-TV: Editing and mixing for daily internal communication.



Comparative Investment Performance

Shares in the Commonwealth Bank were first quoted on the ASX in September 1991. The following chart compares the performance of the All Ordinaries Accumulation Index with the performance of the Commonwealth Bank Accumulation Index since the Commonwealth Bank's first public share offer to 31 May 1996. In the twelve month period to 31 May 1996, the range of trading has been \$8.95 to \$12.05.



Monthly last Prices/Indices indexed to 1000 as at 11 September 1991 (return calculated on initial application price of \$5.40)
 100% of dividends reinvested at the end of month
 Includes performance to 31 May 1996.

Sourced from Index Services, Australian Stock Exchange Limited

Note: Past performance of the share price is not necessarily indicative of future performance.

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Architectural rendering
of 48 Martin Place, Sydney.



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Details of the Offer

2.1

The Offer

The Australian Government invites the Australian public and Australian and international institutional investors to make offers to purchase a total of approximately 399.1 million shares in the Commonwealth Bank currently owned by the Commonwealth. This represents approximately 40 per cent of the issued capital of the Commonwealth Bank. The Offer excludes the remaining 100 million shares owned by the Commonwealth which are subject to the Buy-back Agreement with the Commonwealth Bank.

The Commonwealth is selling its Sale Shares on the following instalment basis:

- a fixed First Instalment payment of \$6.00 per Sale Share payable upon Application (for the Public and Shareholder Entitlement Offers) or at settlement (for the Institutional Offer); and
- a Final Instalment determined by the Final Price set in the Institutional Offer and payable by 14 November 1997.

The determination of the Final Price and number of Sale Shares allocated and sold to Applicants in the Offer will be made by the Australian Government in its absolute discretion following consultation with the Joint Lead Managers. The Australian Government reserves the right to withdraw or modify the Offer at any time before the Acceptance of offers to purchase the Sale Shares. The Offer will be withdrawn or cancelled if the Commonwealth Bank Share Buy-back does not proceed (see Section 3). If the Offer is withdrawn or does not proceed, the Commonwealth will return all Application monies together with interest to all Applicants.

Acceptance of Applications

The Commonwealth reserves the right to reject any Applications or to allocate to any person fewer Sale Shares than applied for by that person.

In addition, it reserves the right to treat any Application in the Public Offer for greater than 20,000 Sale Shares as an Application in the

Section 2 **details of the Offer**



Institutional Offer. Where the Commonwealth is advised by the Joint Lead Managers that investors who would typically be regarded as institutional investors have sought to apply under the Public Offer, the Commonwealth is likely to exercise its right to treat such Applications as Applications in the Institutional Offer. The Commonwealth intends to monitor multiple Applications under the Public Offer and reserves the right to reject or aggregate Applications in determining final allocations.

If an Application is not Accepted, or is Accepted in part only, the relevant part of the Application monies will be refunded. Interest will not be paid on the refunded Application monies except if the Offer is withdrawn or does not proceed.

2.2

The Offer Period

The opening times and dates for the Offer are:

- the Public and Shareholder Entitlement Offers 17 June 1996
at 9am Sydney time

- the Institutional Offer 9 July 1996
at 9am Sydney time

The closing times and dates for the Offer are:

- the Public and Shareholder Entitlement Offers 5 July 1996
at 5pm local time

- the Institutional Offer 12 July 1996
at 4pm Sydney time

The Australian Government may vary the closing dates for the Offer.

2.3

The Public Offer

The following information is for the attention of members of the public in Australia who intend to acquire Sale Shares under the Public Offer.

Application for Sale Shares

Applications to acquire Sale Shares under the Public Offer will only be accepted on the Application forms attached to or accompanying this Offer Document, and must be lodged with the appropriate Application monies for the First Instalment amount of \$6.00 per Sale Share.

Applications under the Public Offer must be for a minimum of 300 Sale Shares and thereafter in multiples of 50.

Cheques should be crossed "Not Negotiable" and made payable to "CBA3 - Share Offer".

The instructions on completing the Application forms should be followed carefully. **In particular, it is essential that the form is executed correctly by way of signature for personal Applicants while corporations must affix their seal and have the application signed by the required directors or officers. The Commonwealth reserves the right to reject Applications, including if they are not correctly signed or completed.**

Lodgement of Applications

Completed Application forms should be:

- mailed to the Application Processing Centre: CBA3 - Share Offer, ULD 8, Eastern Suburbs MC, NSW 1324; or
- lodged with any branch in Australia of the Commonwealth Bank; or
- lodged with any office of the Joint Lead Managers, Co-Lead Managers (Australia), Co-Managers (Australia) (see Corporate Directory) or any other member of the ASX.

Section 2 **details of the Offer**

All Applications must be received by the Application Processing Centre no later than 5.00pm local time on Friday 5 July 1996. Applications received at a branch of the Commonwealth Bank in Australia will be treated as having been received at the Application Processing Centre.



2.4

The Shareholder Entitlement Offer

Persons registered as shareholders of the Commonwealth Bank at 5.00pm (Sydney time) on 4 June 1996, and whose registered address is in Australia, have an entitlement to apply for Sale Shares on the basis of 1 Sale Share for every 4 shares held in the Commonwealth Bank at that time. In the event a shareholder's pro-rata entitlement is between 1 and 299 Sale Shares, that shareholder's entitlement will be increased to 300 Sale Shares. Thereafter, the entitlement will be rounded up to the next highest multiple of 50 Sale Shares. If the pro-rata entitlement is less than 1 Sale Share, the entitlement is rounded down to zero.

Persons eligible to participate in the Shareholder Entitlement Offer will be sent a copy of the Offer Document and a Shareholder Entitlement Application form showing the number of Sale Shares for which they have

priority. The Shareholder Entitlement Offer is subject to the same provisions as the Public Offer except that:

- the Application must be for a minimum of 50 Sale Shares and in multiples of 50 thereafter; and
- the personalised Shareholder Entitlement Application form **must** be used.

Additional Sale Shares can be applied for on the Shareholder Entitlement Application form and such Applications for additional Sale Shares will be treated as part of the Public Offer.

2.5

The Institutional Offer

The following is a summary only of the arrangements which will apply to participants in the Institutional Offer. Details of the Institutional Offer, including bidding instructions, will be provided by the Joint Lead Managers and Co-Lead Managers to participants in the Institutional Offer.

Management of the Offer

The Institutional Offer is being managed by the Joint Lead Managers. The bookrunner is the Commonwealth of Australia.

County NatWest Securities Australia Limited, CS First Boston, J.B. Were & Son and the Co-Lead Managers (Australia) (the "Domestic Syndicate") have agreed to solicit bids from potential institutional investors in Australia.

The Joint Lead Managers, Co-Lead Managers (Australia) and Co-Lead Managers (International) have also agreed to solicit bids internationally.

Subject to bid prices being competitive, it is intended that not less than 140 million Sale Shares will be reserved for the Institutional Offer. This represents approximately 35% of the Offer.

Bidding Process

Bids by institutions and members of the ASX must be for at least 20,000 Sale Shares and multiples of 10,000 thereafter.

Section 2 **details of the Offer**

Australian institutions may bid directly into the book or bid via the Domestic Syndicate. Overseas institutions must bid via any of the Joint Lead and Co-Lead Managers. Other ASX members may bid only as principal or on behalf of their private clients. They may not solicit bids from institutions.

Bids must be made between 9.00am (Sydney time) on Tuesday 9 July 1996 and the closing time for the Institutional Offer, which is 4.00pm (Sydney time) on Friday 12 July 1996 or such later time as shall be decided by the Australian Government after consultation with the Joint Lead Managers. Bids may not be withdrawn after the closing time for the Institutional Offer. The Australian Government expects to announce the Final Price and allocation of Sale Shares on 13 July 1996.

*Entry to the main safe:
48 Martin Place,
Sydney.*



Notification of Allocations

Bids in the Institutional Offer which have not been withdrawn at the closing time for the Institutional Offer will constitute irrevocable offers to purchase the number of Sale Shares bid.

It is expected that the basis of allocation will be published on Monday 15 July 1996 and that the Joint Lead Managers will promptly notify each bidder of its allocation either directly or through the Co-Lead Managers.

Payment and Delivery

The following is a summary of the settlement arrangements which are expected to apply to Australian bidders:

- when bidders are notified of their allocations, they must lodge their completed and signed registration details form with Coopers & Lybrand, Level 8, 580 George Street, Sydney NSW 2000 by no later than 17 July 1996.
- bidders must then forward to Coopers & Lybrand a cheque payable to "CBA3 - Share Offer" in Australian dollars drawn on an Australian bank by no later than 9.00am on 22 July 1996.

2.6

Determination of the Final Price

The Australian Government will determine the Final Price after consultation with the Joint Lead Managers on the basis of the level of demand in the Offer and having regard to its objective of maximising the proceeds from the Offer and its desire for an orderly after-market.

The Final Price will determine the amount of the Final Instalment payable by 14 November 1997. The Final Instalment payment per Sale Share will be the difference between the Final Price and the First Instalment payment of \$6.00 per Sale Share.

The Final Price per Sale Share will be the same for all successful Applicants.

2.7

Allocation Policy



Between the Shareholder Entitlement Offer and the Public and Institutional Offers

The Shareholder Entitlement Offer accounts for approximately 35% of the Offer, assuming maximum take-up. Any Sale Shares not applied for in the Shareholder Entitlement Offer will be available to satisfy Applications in the Public Offer and bids in the Institutional Offer.

Between Investors Participating in the Public Offer

Under the Public Offer, eligible employees of the Commonwealth Bank resident in Australia have a priority allocation of 300 Sale Shares per employee. This priority allocation accounts for approximately 3% of the Offer assuming maximum take-up.

It is also intended that part of the Public Offer will be reserved as firm allocations to members of the ASX for distribution to their private clients. These firm allocations have preference over all other Applications except for the priority entitlements under the Shareholder Entitlement Offer and the priority allocation for eligible employees of the Commonwealth Bank. In other respects, the Commonwealth intends to treat public Applications received before the closing date of the Public Offer on a consistent basis.

Between Investors Participating in the Institutional Offer

The basis of allocating Sale Shares between participants in the Institutional Offer will be determined by the Commonwealth after consultation with the Joint Lead Managers. There is no assurance that any investor lodging a bid in the Institutional Offer will be allocated any Sale Shares or the number of Sale Shares for which it has bid. Subject to bid prices being competitive, a minimum 140 million Sale Shares, being approximately 35% of the Offer, will be reserved for participants in the Institutional Offer.

The first determinant of the allocation of Sale Shares in the Institutional Offer will be the level of the Final Price, since bids at prices lower than the Final Price will not be allocated Sale Shares.

After disregarding bids at prices lower than the Final Price, the institutional allocation policy will reflect a number of factors. The factors the Commonwealth will take into account, after consulting with the Joint Lead Managers, include the following:

- investors who bid at higher prices will be regarded favourably;
- investors who lodge bids at an early stage in the Institutional Offer period will be regarded favourably; and
- consistency of bids will be regarded favourably.

2.8

Disbursement of Application monies

All monies received with Applications in the Public and Shareholder Entitlement Offers will be held by the Commonwealth in trust accounts with the Reserve Bank of Australia until Acceptance of Applications. Refunds will be made in respect of unsuccessful Applications.

The balance, plus any interest on the account, is payable to the Commonwealth. No interest will be paid on any refunds, except if the Offer is withdrawn or does not proceed.



2.9 ASX Listing and Quotation

Application for listing of the Trustee and quotation of the Instalment Receipts on the ASX will be made within three days after the date of this Offer Document.

It is anticipated that trading of the Instalment Receipts on the ASX will commence on a deferred settlement basis on the first Business Day following the closing of the Institutional Offer. This is expected to occur on Monday 15 July 1996. A certificate or holding statement which sets out the number of Sale Shares for which Instalment Receipts have been allocated to each successful Applicant under this Offer is expected to be dispatched on 26 July 1996.

It is the responsibility of Applicants to determine their allocation prior to trading in the Instalment Receipts. Applicants who sell Instalment Receipts before they receive their notice will do so at their own risk.



The Australian Government will announce the basis of allocation of Sale Shares by placing advertisements in the major metropolitan newspapers in Australia, *The Australian* and *The Australian Financial Review*. This is expected to take place on Monday 15 July 1996. On that date, Applicants may call the Telephone Information Centre on 13 33 88 to seek information on their Application. The Telephone Information Centre will be open from 8.00am on that date.

If permission for quotation of the Instalment Receipts is not granted within 12 weeks of the date of this Offer Document, Application monies will be refunded in full with interest.

2.10

Instalment Arrangements

The Trust Deed requires, in general terms, the Trustee to take lawful steps (not involving expense or liability) to achieve the pass-through of the dividend and voting benefits flowing from the Sale Shares, so that subject to legal, taxation and security requirements, investors receive those benefits to the maximum extent possible in the same manner as if they had paid the total purchase price of the Sale Shares in one instalment.

This has been facilitated by the Commonwealth and the Trustee entering into a Memorandum of Understanding ("MOU") with the Commonwealth Bank.

Investor rights and obligations in respect of the Sale Shares and Instalment Receipts are subject to specific terms and conditions which are set out in a number of documents including the Trust Deed and the MOU. Section 5.1 sets out further details of the Trust Deed and the MOU. The Trust Deed and the Memorandum and Articles of Association of the Trustee are available for inspection by investors at the Commonwealth Bank, Level 1, 48 Martin Place, Sydney NSW 2000 during business hours.

Section 2 details of the Offer



Some of the terms and conditions of the Instalment Receipts are summarised below.

Full Dividends

Holders of Instalment Receipts will be entitled to receive distributions equivalent to the full cash dividend payable on Sale Shares. This entitlement will apply on and from registration as a holder of Instalment Receipts. Holders of Instalment Receipts are expected to receive three payments equal to: the final dividend for the year ending 30 June 1996, the interim dividend for the period ending 31 December 1996 and the final dividend for the period ending 30 June 1997. Payments will be made on the same dates as apply to the corresponding Commonwealth Bank dividends. No deductions will be made by the Trustee in respect of its costs in passing through the dividends.

The Australian Taxation Office considers that holders of Instalment Receipts will be entitled to the benefit of any franking credits attaching to any dividends on the Sale Shares.

Participation in the Dividend Reinvestment Plan

The Commonwealth Bank has established a DRP which currently allows shareholders to reinvest dividends into new Commonwealth Bank shares at a 2.5% discount to the market value of the quoted Commonwealth Bank shares at the time.

Under the MOU, the Commonwealth Bank has agreed to amend the DRP so that Instalment Receipt holders may participate in any Commonwealth Bank DRP on the same terms and conditions as if they were directly registered as holders of the corresponding Commonwealth Bank shares. Shares issued under the DRP prior to 14 November 1997 will be Commonwealth Bank shares and will not be subject to the security arrangements in respect of the Sale Shares. The effect of any alteration, suspension or termination of the Commonwealth Bank's DRP will apply to the Instalment Receipt holders.

Where an Instalment Receipt holder is also the registered holder of Commonwealth Bank shares, the number of shares issued under the DRP will be determined on the aggregate of the dividends payable in respect of the participant's shares and Instalment Receipts (to the extent of participation of each in the DRP, as elected by the holder). An application form to participate in the DRP (in whole or part) will be sent shortly after completion of the Offer.

New Issues

In the event that the Commonwealth Bank makes an entitlements offer to shareholders to participate in a new issue of shares or other securities, the Trustee will seek advice and take lawful steps (not involving it in expense or liability) to confer the benefits of the entitlements offer upon Instalment Receipt holders so far as possible, on the same terms as offered to Commonwealth Bank shareholders. Any new securities subscribed for by Instalment Receipt holders pursuant to such an entitlements offer will not be subject to the security arrangements in respect of the Sale Shares.



Section 2 **details of the Offer**

The Trust Deed also contains provisions for events such as capital reconstructions, bonus issues, take-overs and buy-backs.

Voting Arrangements and Meetings

Holder of Instalment Receipts will be entitled to exercise voting rights through the Trustee and will be permitted to attend Commonwealth Bank shareholder meetings. Voting rights attached to each Sale Share will only be exercisable through the use of a voting direction form. Direction forms will be mailed to Instalment Receipt holders at the time of the mailing of notices of meeting. Completed forms can then be sent to the Trustee by a specified date prior to the relevant meetings. Holders of Instalment Receipts will have no legal right to speak or vote in person at such meetings.

Annual Reports and Notices

Holder of Instalment Receipts will receive the Commonwealth Bank annual report and other shareholder notices at the same time and in the same manner as holders of Commonwealth Bank shares. Where an Instalment Receipt holder is also the registered holder of Commonwealth Bank shares, only one notice or annual report will be sent.

Transfers

Normal ASX settlement procedures will apply to trading in Instalment Receipts. Instalment Receipt holders will have certificates issued or, if the Applicant is a CHESS participant, a CHESS holding statement will be issued. Off-market transfers may and transmissions will require written acknowledgment from the transferee of the obligation to pay the Final Instalment.

Final Instalment Arrangements

The Final Instalment must be paid by 14 November 1997.

Instalment Receipt holders may prepay the Final Instalment for all or some of their registered holding at any time up to the last day of trading of Instalment Receipts on the ASX. The amount of the Final Instalment will, in accordance with a formula set out in the Trust Deed, be

discounted by reference to Commonwealth Government bond interest rates at the time of prepayment. Instalment Receipt certificates together with a prepayment notification form need to be lodged with the Instalment Receipt Registrar with payment.

The Trustee will forward a reminder notice to holders of Instalment Receipts approximately 6 weeks before the Final Instalment is due to be paid. The last day for ASX trading of the Instalment Receipts is expected to be 29 October 1997. The holder of the Instalment Receipts, as shown on the register as at 7 November 1997, will be required to pay the Final Instalment to the Commonwealth.

Upon payment of Final Instalments, Instalment Receipts will be cancelled and registration of the Sale Shares concerned will be transferred from the Trustee to the holders of the Instalment Receipts.

If an Instalment Receipt holder fails to pay the Final Instalment, interest will accrue on late payments and the Trustee can sell the corresponding Sale Shares to pay the outstanding debt and refund any balance (net of recovery costs and accrued interest) to the defaulting Instalment Receipt holders. The defaulting Instalment Receipt holder will be liable for any deficiency that may exist after the Trustee has sold those Sale Shares.



Section 2 **details of the Offer**

Restrictions affecting Lenders

The obligation of the Instalment Receipt holder to pay the Final Instalment represents an absolute security interest in the Sale Shares. Holders cannot create any encumbrance (such as a mortgage) over a Sale Share, or create any encumbrance in respect of the Instalment Receipts, or otherwise, which is capable of extending to the underlying Sale Shares before the Final Instalment is duly paid. The Trustee and the Instalment Receipt Registrar will not recognise or give effect to any mortgage, pledge or other encumbrance of an Instalment Receipt, or of the Beneficial Interest in or future right to receive the Sale Share to which it relates.

Australian Taxation

The taxation position of Australian resident holders of Instalment Receipts is broadly similar in effect to the taxation treatment applicable to an investment in Commonwealth Bank shares. Special rules apply to non-resident holders of Instalment Receipts. However, the taxation position of individual taxpayers can be complex. Taxpayers under any doubt as to their personal circumstances, or as to the taxation treatment of Instalment Receipts, should consult a professional adviser.

Dividends

Dividends payable on the Sale Shares will be passed onto holders of Instalment Receipts in full by the Trustee. The Australian Taxation Office considers that all such dividends will be treated as trust distributions (rather than dividend distributions) for taxation purposes, but the benefit of any franking credits attached to the dividends on the Sale Shares will be passed through to the holders of Instalment Receipts. Consequently, resident individuals will generally be entitled to claim a franking rebate. Resident companies will be entitled to claim the intercorporate dividend rebate for the trust distribution to the extent that they would have received the rebate if the dividend had been received directly.

Once investors receive the registered title to the Sale Shares after payment of the Final Instalment, all subsequent dividends will be paid

directly by the Commonwealth Bank and will be treated for tax purposes in the same way as other dividends.

Capital Gains Tax – Resident Investors

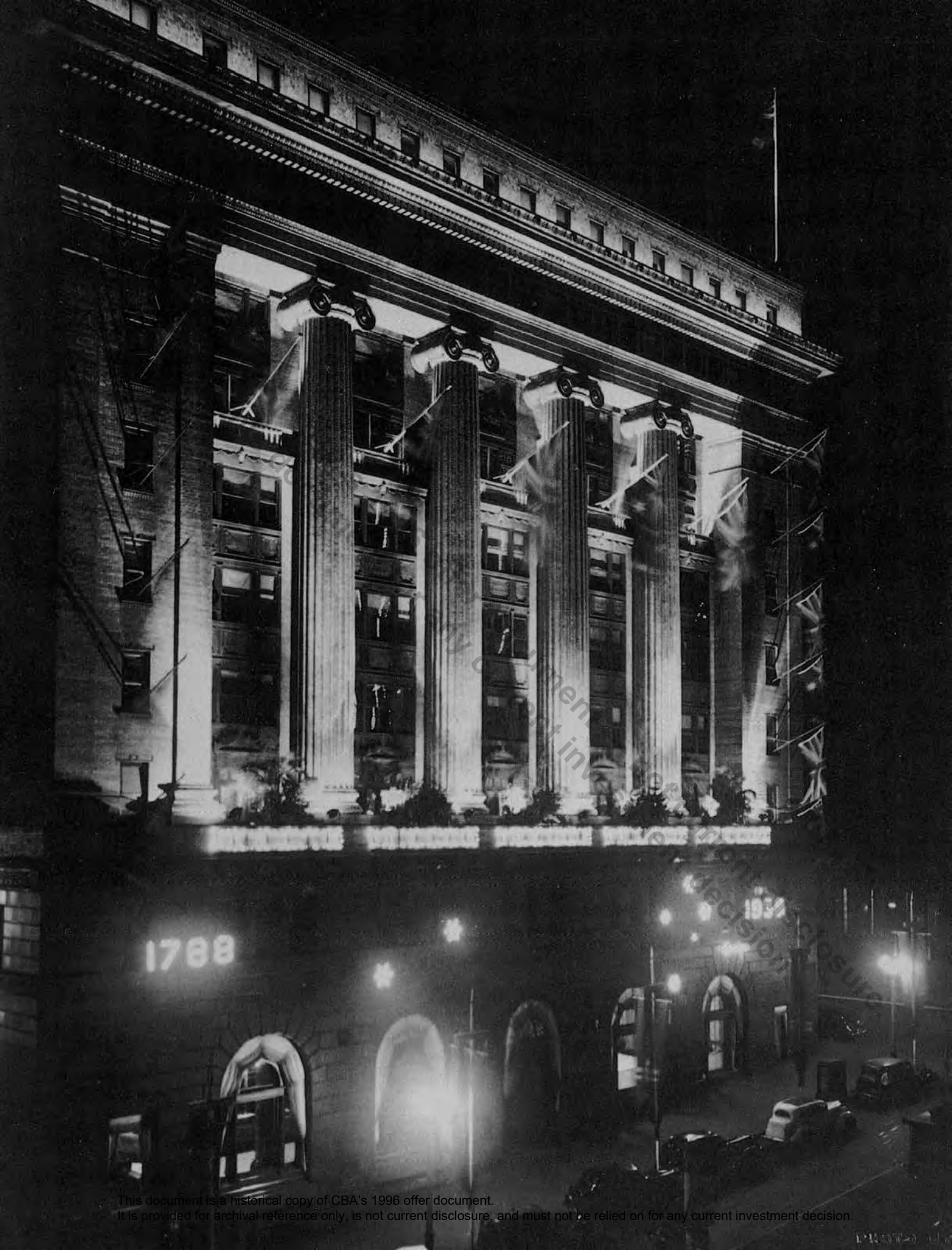
Investors disposing of Instalment Receipts for a value in excess of the cost base (the amount of the First Instalment) will generally be liable for CGT.

Where Instalment Receipts are held for more than 12 months, the cost base can be adjusted for movements in the Consumer Price Index. Where investors purchase Instalment Receipts in the secondary market, the cost base will be the purchase price (adjusted for other relevant costs) rather than the amount of the First Instalment. When the investor pays the Final Instalment, the cost base will be increased by the amount of that instalment.

For CGT purposes, the Australian Taxation Office considers that investors will be regarded as having acquired the Sale Shares at the time of Acceptance by the Commonwealth of the investor's Application made under the Offer. A person who acquires the Instalment Receipt in the secondary market, or to whom it is transferred or transmitted, will be regarded as having acquired the Sale Shares at the time of that purchase, transfer or transmittal. The payment of the Final Instalment and transfer of the registered title to the Sale Shares to the Instalment Receipt holders will not be treated for CGT purposes as a disposal or acquisition of any interest in the Sale Shares. This means that Instalment Receipt holders will have no CGT liability arising from the transfer of the registered title to them from the Trustee.

Where applicable, indexation of the cost base will apply to the amount of the First Instalment (or purchase price of Instalment Receipts) and Final Instalment from actual payment dates.

There may be tax consequences for holders of Instalment Receipts arising on a sale of the corresponding Sale Shares by the Trustee upon default in paying the Final Instalment. Investors should consult their own tax advisers as to such consequences.



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This document is a historical copy of CBA's 1996 offer document. It is provided for archival reference only, is not current disclosure, and must not be relied on for any current investment decision.

Commonwealth Bank Share buy-back

Under the terms of the Buy-back Agreement dated 9 April 1996, the Commonwealth Bank has agreed to buy-back 100 million Commonwealth Bank shares from the Commonwealth. The buy-back price will be the average price per share achieved by the Commonwealth pursuant to the Offer, subject to a maximum price of \$10.70 per share. The average price will be determined by dividing the total proceeds from payment of the First Instalment, plus the net present value of the Final Instalment payment receivable under the Offer, by the number of Sale Shares sold pursuant to the Offer. The net present value will be calculated by discounting the Final Instalment at the Commonwealth bond yield for a period expiring on the date on which the instalment falls due plus 20 basis points. Subject to the satisfaction of certain outstanding conditions under the Buy-back Agreement (discussed below), the Commonwealth Bank will pay for the shares it buys back at the same time that institutions pay for their Sale Shares pursuant to the Institutional Offer.

Shareholders approved the Share Buy-back on 14 May 1996.

Under the terms of the Buy-back Agreement, the Share Buy-back is conditional upon the Offer proceeding and will automatically terminate if the Offer is not completed by 31 July 1996 or such later date as is agreed between the parties. The Commonwealth Bank has the right to terminate the Buy-back Agreement earlier if the Commonwealth's gross proceeds from the Offer, excluding the Share Buy-back, are less than \$2 billion.

The Commonwealth Bank has undertaken that until completion of the Share Buy-back or termination of the Buy-back Agreement, whichever first occurs, it will not without the Commonwealth's consent:

- undertake any other buy-back;
- issue any shares other than under its Dividend Re-investment Plan;
- alter its Dividend Re-investment Plan;
- reconstruct its share capital in any way; or
- pay any dividends or make any distributions to shareholders.

Section 3 **Commonwealth Bank Share buy-back**

When the Commonwealth Bank entered into the Buy-back Agreement all rights attaching to the shares subject to the agreement were suspended in accordance with the Corporations Law. All the shares which the Commonwealth Bank buys back will be cancelled as required by the Corporations Law.

The Buy-back Agreement includes various representations and warranties as follows:

- the Commonwealth warrants its power to sell the shares the subject of the Share Buy-back free of all third party rights and encumbrances;
- the Commonwealth Bank warranted that, as at the date of the Buy-back Agreement, it was not aware of any information which was not generally available and which it considered would have a material effect on the price or value of its shares; and
- each party warranted to the other that, subject to Commonwealth Bank shareholder approval, it will have taken appropriate action to authorise execution and performance of the Buy-back Agreement and that the Buy-back Agreement is enforceable in accordance with its terms without breach of relevant laws or constituent documents.



On 19 April 1996, the Commonwealth Bank released a Notice of General Meeting, Explanatory Memorandum and Independent Expert's Report (prepared by KPMG Corporate Finance (NSW) Pty Ltd) providing information to Commonwealth Bank shareholders to allow them to assess the proposed Share Buy-back. Those shareholder materials provide details of the reasons for the proposed Share Buy-back, director recommendations and details of the effect of the Share Buy-back on the Commonwealth Bank's financial position. Set out below is an extract from the Explanatory Memorandum containing details of those matters. The statements below about the outlook for earnings growth in 1996/97 and competitive pressures in the housing market should be read in conjunction with the Commonwealth Bank's statement to the ASX on 31 May 1996 (see Section 1.4).

Reasons for the proposed buy-back

The Directors consider that the proposed buy-back is in the best interests of all shareholders for the following reasons:

- the buy-back is expected to have a positive impact on earnings per share;
- the buy-back is expected to enhance return on shareholders' equity; and
- the buy-back provides a better use of excess capital than other alternatives currently available to the Bank.

Each of the reasons is examined in more detail below.

Earnings per share

The proposed buy-back is expected to improve the Bank's earnings per share ("EPS"). Under the proposed buy-back, the effect of the loss of interest income on the funds outlaid to acquire the shares is less than the expected increase in earnings per share.

The precise impact of the proposed buy-back on earnings per share cannot be determined at present because the exact price paid per share will not be known until after the completion of the proposed PSO.

However, to illustrate the impact of the proposed buy-back on earnings per share, the table below, reproduced from the Independent Expert's Report, sets out the proforma earnings per share after taking into account the impact of a buy-back of 100 million shares at various prices per share.

Commonwealth Bank Share buy-back

The Independent Expert's assessment of earnings per share before the buy-back is \$1.11.

Price (\$)	Post buy-back EPS (\$)	% Increase
10.00	1.181	6.38
10.25	1.180	6.26
10.50	1.179	6.13
10.70 (Maximum Price)	1.178	6.04

The Independent Expert has stated that, assuming the Bank maintains its current dividend pay-out ratio, the increase in EPS will result in an increase in dividends per share.

Return on shareholders' equity

At current levels of interest rates, the proposed buy-back at a maximum price of \$10.70 per share will result in an increase in the Bank's return on shareholders' equity, notwithstanding the reduction in full year's earnings of approximately \$80 million (\$51 million after tax) that the Bank will incur following the buy-back.

The Independent Expert has assessed the Bank's return on shareholders' equity, based on the book value of equity and before the proposed buy-back, as approximately 16%. At the maximum buy-back price of \$10.70, the Independent Expert has assessed that return on shareholders' equity will increase to approximately 18% after the buy-back. The Independent Expert notes that this return will vary marginally if the buy-back takes place at the price below \$10.70 per share.

A better use of excess capital

The Bank considers that it has approximately \$1 billion capital in excess of its foreseeable business requirements. It has examined alternative uses for the capital proposed to be used to repurchase the Commonwealth's shares. Principal alternatives are:

- a special dividend or return of capital to shareholders; or
- an acquisition in the banking/financial services sector.

It is the Directors' view that the proposed buy-back, as negotiated with the Commonwealth, is a better use of surplus capital than the alternatives.

The proposed buy-back structure will provide a greater enhancement to shareholder value than a special dividend or capital return of approximately \$1 billion. The buy-back should result in an increase in the value of the Bank's shares greater than the cash value of a special dividend or capital return due to the enhancement in earnings per share on the remaining shares.

In relation to a possible acquisition in the banking/financial services sector, the Directors consider that no major acquisition opportunity in Australasia has currently been identified whose pricing and regulatory acceptability are likely to add sufficient value to shareholders as to be a justifiable use of capital.

The Bank intends to produce the best possible return to shareholders while maintaining a prudent capital level. It has opportunities for organic growth and to establish itself as a preferred provider of financial services to its existing customer base. In conjunction with a prudent and disciplined approach to capital management, the Bank is confident that, over the longer term, it should provide consistent and growing returns for shareholders.

The proposed buy-back is consistent with the approach taken by a number of banks in Europe, the United States of America and Australia in recent years in managing excess capital.

Reasons for the proposed buy-back structure

The Directors believe that the proposed buy-back structure is in the best interest of the Bank's shareholders in the context of the forthcoming PSO. The buy-back price will be determined by the PSO process.

In order to limit the Bank's exposure on price, the Bank has agreed with the Commonwealth that it will not pay more than \$10.70 per share for shares in the buy-back, even if the average PSO price is higher. The upper limit of \$10.70 per share has been set by the Directors having regard to their current view of projections of the Bank's earnings and current market valuation parameters.

Impact of the proposed buy-back on the Bank's state of affairs

Set out below is the Directors' opinion of the outlook for the Bank's future earnings and the likely effect on the Bank's state of affairs if the proposed buy-back is made.

Outlook

Directors issued an outlook statement with the Bank's 1995/96 interim profit announcement released on 19 February 1996 which included:

"Directors expect that the Bank's earnings growth rate during 1995/96 will be lower than that recorded in the past two years. Despite the slowing in earnings growth, earnings for the second half are likely to at least match those of the first half."

“Although economic activity has softened a little more than expected, and is now unlikely to pick up over the balance of 1995/96, credit growth has held up a little better than expected. Growth in domestic net interest earnings does, however, remain vulnerable to competitive erosion of interest spreads, with further disintermediation and rate competition in the home loan market remaining a significant threat to earnings growth and profitability.”

“Bad debt expense is likely to remain at cyclically low levels with the possibility of a slightly higher expense in 1996/97, but there is no clear evidence yet of any future significant deterioration in loan asset quality.”

“These factors, all combined will put additional pressure on earnings into 1996/97, but the Bank’s profitability is expected to remain satisfactory.”

(Highlight made by the Commonwealth Government)

Should a buy-back occur at a price of \$10.70, earnings in 1996/97 will be reduced by approximately \$51 million after tax as a result of the cash outlay for the buy-back of shares.

The Bank has agreed a new Enterprise Bargaining Agreement covering the bulk of its staff costs. Negotiated salary movements are higher than originally anticipated.

These factors combined with those cited in the February outlook statement suggest that earnings growth in 1996/97 will be positive but modest. However, Directors cannot rule out the possibility of significant new price competition in the domestic home loan market. For each ten basis points reduction in the Bank’s margin on standard variable home loans, the initial annualised after tax effect on earnings would be a reduction of up to approximately \$12 million, improving to approximately \$5 million over the ensuing two years from offsetting changes in interest margins generally.

The Bank’s strategic intent is to remain a leading provider of home financing in Australia. To do so, the Bank is considering options to anticipate or respond to changes in the market. These options include some or all of:

- Changes to existing interest rates (and margins);
- Wider distribution of a basic (lower interest rate) home loan product;
- Launch of a lower interest rate securitised home loan through a subsidiary company; and
- Use of direct telephone marketing and expansion of the mobile sales force.

Ultimately, such options should contribute to more sustainable returns from home lending and to an improvement in returns from other classes of business currently subsidised by home lending. Apart from its pursuit of further efficiency gains, the Bank would expect improved returns from the conduct of retail transaction accounts - provided the Government does not intervene in pricing of these accounts. The Bank's objective would be to fully offset any short term losses through these and other measures.

Should a sudden large fall in variable home loan interest rates and margins occur, this would have an adverse effect on short term profits, but the Bank's longer term competitive position may be strengthened.

(Highlight made by the Commonwealth Government)

Directors have not varied the dividend policy from that alluded to in the Bank's interim profit announcement.

Funding of the buy-back

Provision has been made in the Bank's future cash flow projections to meet the approximate \$1 billion funding requirement as part of its normal liquidity management activities.

Capital adequacy

The proposed buy-back will result in a reduction in the Bank's level of Tier One capital.

The impact of the reduction in the Bank's level of Tier One capital and total capital adequacy if a buy-back had occurred at 31 December 1995 is as follows:

	Actual at 31 December 1995	Proforma after buy-back at 31 December 1995*
Tier One	10.15%	8.66%
Tier Two	2.00%	2.00%
Total	12.15%	10.66%

*Adjustment to the proforma 31 December 1995 figures to reflect subsequent issuance of Tier Two capital would result in a Tier Two capital ratio of 2.57% and a total capital adequacy ratio of 11.23%.

The Reserve Bank of Australia requires a minimum capital adequacy ratio of 8%, of which the Tier One ratio must be 4%. Banks generally maintain capital adequacy ratios in excess of 8% as a buffer for contingencies and to support credit ratings.

Effect on credit ratings

As a Commonwealth guaranteed organisation, the Bank has historically carried the same credit ratings as the Commonwealth. The Commonwealth Bank Sale Act 1995 provides appropriate transitional measures for the Commonwealth guarantee applying to the Bank's liabilities. Specifically, the Commonwealth guarantees: all demand deposits of the Bank for three years from the date at which the Commonwealth's shareholding falls below 50% of the total number of shares in the Bank on issue, or from 9 May 1996, whichever is the later (the "Effective Date"); fixed term deposits outstanding at the Effective Date or made during the three year period following the Effective Date; and all other liabilities and off-balance sheet obligations outstanding at the Effective Date until maturity.

The Bank recognises the importance of strong credit ratings and conducts regular discussions with the international rating agencies on the Bank's overall financial position. The Bank has kept the rating agencies fully informed of developments with regard to the change in the status of Commonwealth guarantee. The Bank does not consider that the loss of the guarantee will have a material effect on its cost of funds.

After the buy-back, the Bank will have an equity to assets ratio of around 6%, a level which compares favourably to domestic and international peers and which the Bank believes will not adversely impact its credit ratings. A capital position will be maintained at a level appropriate for the ongoing development of the Bank and to assist in ensuring that the Bank's credit ratings are comparable to its domestic and international peers.

Capital for ongoing business

The Bank has positioned itself to participate in the ongoing growth of the Australian, New Zealand and Asian financial markets. The Directors believe that the level of capital after the buy-back is appropriate to support the growth of the Bank's business in these markets.

Effect on control of the Bank

In the opinion of Directors, the buy-back, of itself, is unlikely to have any material effect on control of the Bank, for the following reasons:

- under the Banks (Shareholdings) Act, 1972, as it will apply to the Bank after the PSO, a person or corporation is not permitted to have an interest in 10% or more of the nominal value of the voting shares of any bank in Australia unless an exemption has been granted by the Treasurer allowing that person to have an interest in up to 15% of the nominal value of those voting shares. The Treasurer may only refuse to grant the exemption if he deems it to be in the national interest to do so. The Act also provides that the Governor-General, after application to the Treasurer, may

fix a percentage higher than 15% for any person or corporation. The Governor-General may only grant such an approval if it would be in the national interest to do so.

- No exemptions have been granted in relation to the Bank; and the effect of the buy-back will be to increase all percentage shareholdings in the Bank for all shareholders, other than the Commonwealth, by approximately 11% of their original holdings. For example, a shareholder holding 1% of the Bank prior to the buy-back would hold 1.11% of the Bank's issued shares. The Commonwealth would have its holding reduced as a result of the buy-back from 50.4% of the Bank's issued shares to approximately 44.8%.

Effective control of the Bank will change following the sale of Commonwealth shares. The Commonwealth has advised the Bank that it intends to conduct the sale in a manner which ensures a continued wide shareholding in the Bank. The Commonwealth has also advised the Bank that it wishes to encourage widespread ownership of the Bank's shares and will be selling the shares to investors in Australia and overseas.

If the Commonwealth sells its shares in the PSO using an instalment payment structure, the Commonwealth has indicated that votes attaching to those shares would, to the extent practical and lawful, be exercisable by the holders of the instalment instrument.

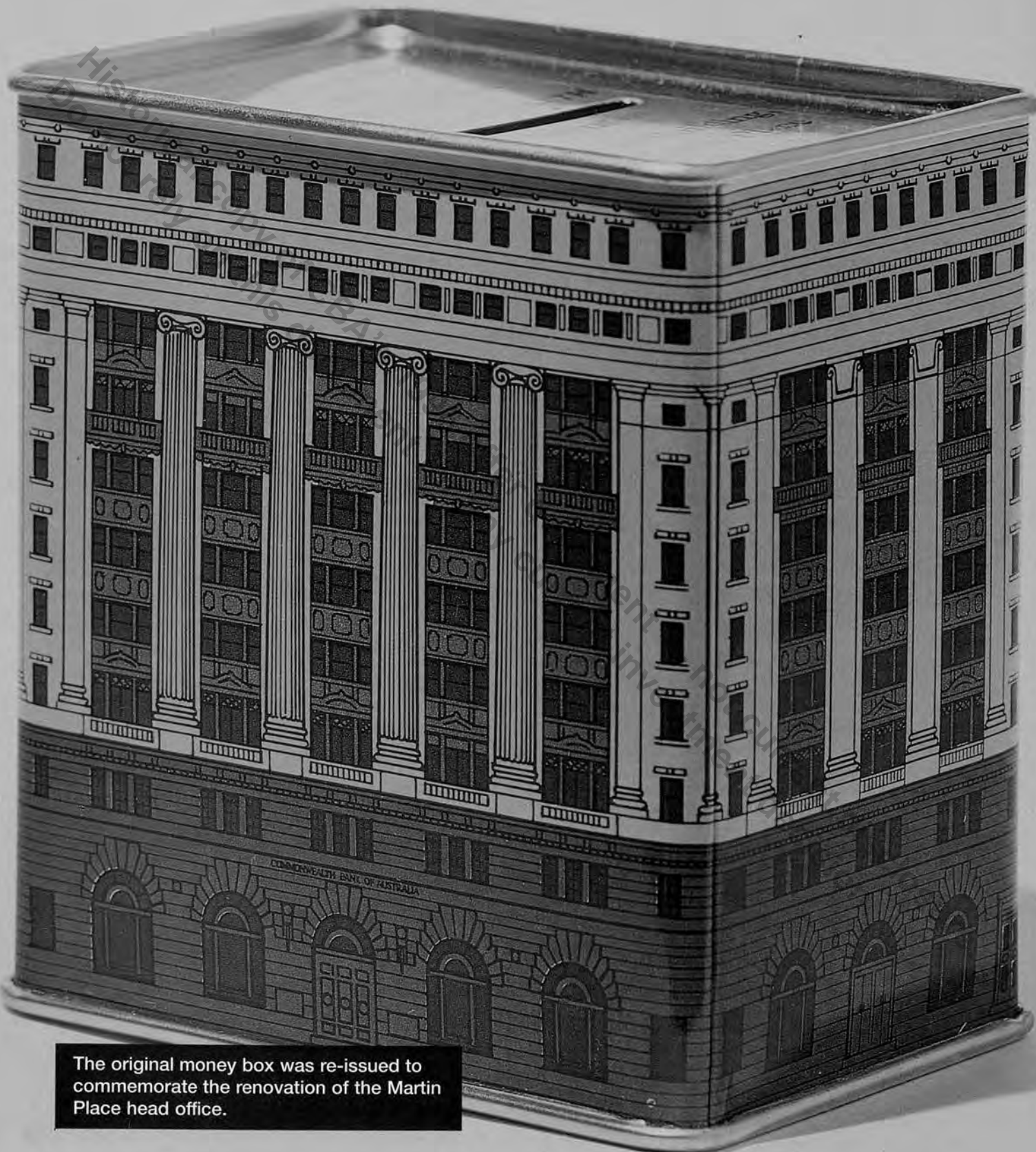
Treatment of the proposed buy-back for accounting purposes

On cancellation of the shares following the completion of the proposed buy-back, the Bank will debit the buy-back premium (being the amount by which the buy-back price exceeds the par value of the shares brought back) to its share premium account.

At 31 December 1995, the balance of the share premium account was \$1.61 billion. This balance was increased subsequently by the issuance of shares under the Dividend Reinvestment Plan so that it currently stands at approximately \$1.75 billion. The effect of the proposed buy-back will be to reduce the share premium account by approximately \$870 million at the highest possible buy-back price and by lower amounts if the PSO price is lower than the maximum buy-back price of \$10.70 per share.

Dividend Reinvestment Plan

The existing plan will remain in place for the final dividend payable out of profits for the year ending 30 June 1996. It is subject to review from time to time, its continuation and structure being dependent on capital requirements.



The original money box was re-issued to commemorate the renovation of the Martin Place head office.

Information about the Commonwealth Bank

As outlined in Section 5.7, potential investors and their professional advisers may obtain copies of information released by the Commonwealth Bank by, among other things, reviewing the public files available at the ASC and the ASX.

Recent information released by the Commonwealth Bank concerning its financial position include its Profit Announcement for the Half Year ended 31 December 1995 released on 19 February 1996, its Notice of General Meeting dated 19 April 1996, including the Explanatory Memorandum and Independent Expert's Report, and the statement to the ASX dated 31 May 1996.

The Independent Expert's Report prepared by KPMG Corporate Finance (NSW) Pty Ltd ("KPMG Corporate Finance") dated 10 April 1996 was prepared solely for the purposes of providing an opinion as to whether the proposed Share Buy-back is fair and reasonable to shareholders other than the Commonwealth.

The Independent Expert's Report included information on the Australian banking industry, an overview of the Commonwealth Bank and an analysis comparing the Commonwealth Bank with the other Australian major banks. For the convenience of potential investors, extracts ("Extracts") from those sections of the Independent Expert's Report are set out as the remainder of Section 4 of this Offer Document.

The Extracts were prepared on 10 April 1996 for inclusion in the Commonwealth Bank's Notice of General Meeting to approve the Share Buy-back. KPMG Corporate Finance has not been required to expand the Extracts to reflect events which have occurred since that date or to include information which may be relevant to an investment under the Offer which was not relevant for the purposes of the Share Buy-back.

In preparing the Independent Expert's Report, KPMG Corporate Finance relied, in part, on information provided by the Commonwealth Bank and did not make any due diligence enquiries in relation to the information provided in the Extracts.

Although the Extracts were initially prepared by KPMG Corporate Finance, and that as far as KPMG Corporate Finance is aware the information provided in the Extracts was correct at the time it was produced, KPMG Corporate Finance does not warrant the accuracy of the information provided in the Extracts and disclaims all responsibility in relation to it. The Extracts have been included at the Commonwealth's request and the Commonwealth accepts full responsibility for them.

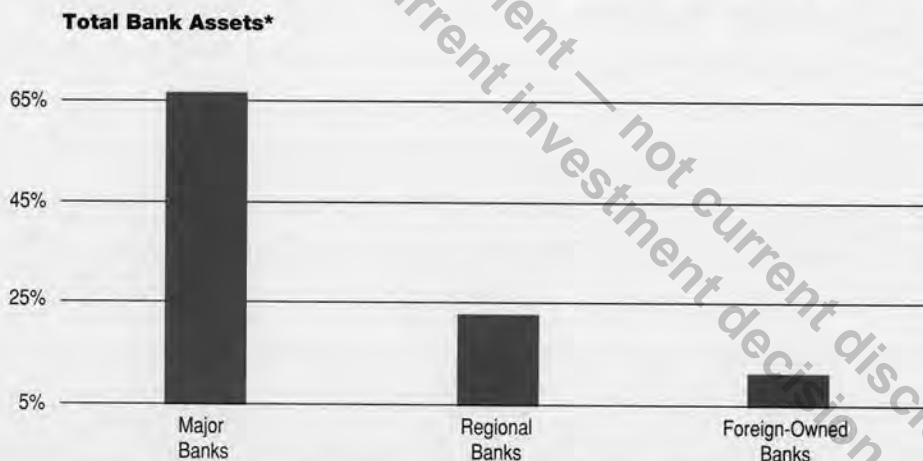
The Australian banking industry

The industry participants

Banks in Australia can be divided into three broad categories:

Major banks

The Commonwealth Bank, National Australia Bank Limited ("NAB"), Westpac Banking Corporation ("Westpac") and Australia and New Zealand Banking Group Limited ("ANZ") are typically referred to as the major banks. Each of the major banks offers a full range of financial products and services through branch networks across Australia. Collectively, the major banks control approximately two-thirds of total assets within the Australian banking industry as shown below.



* Australian assets as at December 1995
Source: Reserve Bank of Australia

In addition to their domestic operations, several of the major banks have significant operations and investments offshore.

Regional banks

The regional banks had their origins as either state-owned banks or building societies whose operations were largely state-based. At present, the regional banking sector is undergoing significant rationalisation. Recent transactions have included:

- the acquisition of State Bank of New South Wales by Colonial Mutual Life;
- the acquisition of Challenge Bank by Westpac;
- the acquisition of BankSA by Advance Bank; and
- the acquisition and subsequent listing of Bank of Western Australia by the Bank of Scotland.

Foreign-owned banks

There are currently 26 foreign-owned banks operating in Australia through either a branch or a locally incorporated subsidiary. Most of the foreign-owned banks traditionally focused their activities on the provision of Australian banking services to their overseas clients. Many have now diversified their operations although most continue to specialise in particular products or services. Compared to the major and regional banks, the foreign-owned banks do not have a significant retail presence in Australia.

Recent history

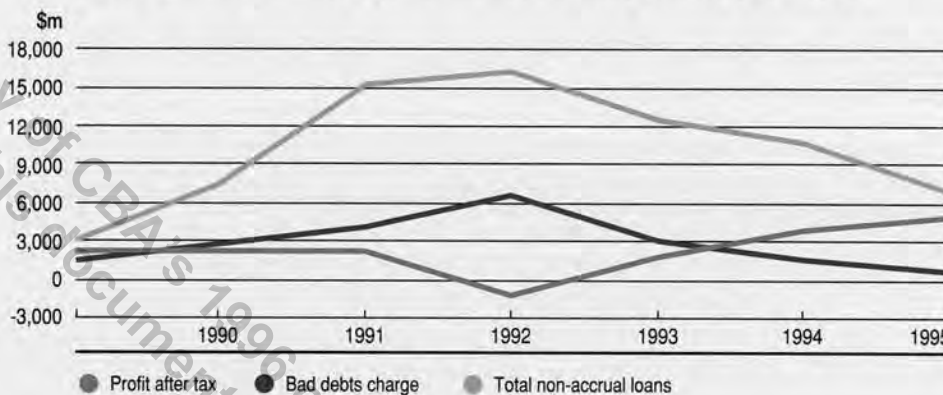
The Australian banking industry has changed significantly over the last ten years. In particular, deregulation of the Australian financial system from 1982 and subsequent Government policy initiatives have been directed at increasing competition and efficiency throughout the financial services sector.

Removal of restrictions and controls on bank borrowing and lending products has enabled the banks to diversify their operations beyond traditional boundaries. The major banks now offer a broad range of banking services that includes funds management, life insurance, capital markets trading, stockbroking and custodial services. At an international level, the major banks have developed their operations through foreign exchange activities, expansion of overseas representation and acquisition of foreign financial institutions.

Deregulation also led to a rapid expansion in the level of available credit which, in part, promoted asset price inflation during the second half of the 1980s. When asset prices collapsed, the banks suffered a rapid decline in asset quality and overall profitability. Significant loan write-offs and provisions were required and it has taken a number of years for the level of impaired assets to return to more normal levels.

The banking industry has now recovered from this difficult period and all of the major banks have recorded significant profit growth over the last three years. This improvement in performance is the result of a number of strategic initiatives undertaken by the banks to improve revenues and reduce costs but the single most important factor has been the steady improvement in asset quality.

Major Banks - Summary of performance and asset quality 1989 - 1995



Source: Major banks' Annual Reports

Critical success factors

The Australian banking industry is now highly competitive and all of the major banks are in the process of adapting to a rapidly changing environment. The future success of the banks is dependent on a number of factors, but in particular:

- growth of the asset base - future growth in the Australian banking industry will require a concerted effort as non-bank financial institutions continue to penetrate the banks' market share;
- management of interest margins - in an increasingly competitive environment, careful management of margins and the implementation of appropriate pricing policies is essential;
- customer penetration - pressure on net interest earnings will place additional focus on the banks' ability to increase non-interest income and maximise total revenue per customer;
- operational efficiency - control of operating costs will continue to be a critical issue, particularly as the banks increase both their investment in technology and the range of products and services offered; and
- management of credit risk - although the level of non-performing loans has been falling steadily over the last three years, appropriate credit policies will continue to be fundamental to the banks' future performance.

Current issues

Specific issues relevant to the short to medium term performance of the banks can be summarised as follows:

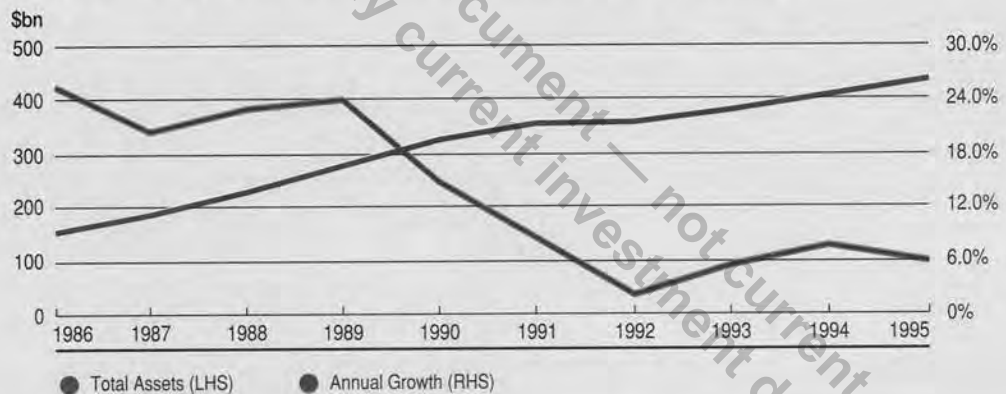
Low asset growth in recent years

The expansion of available credit during the 1980s led to significant growth in the size of the banking sector. Between 1986 and 1989, the banks' domestic asset base increased at an average annual rate of approximately 23%.

Since 1991, the rate of growth has fallen to an average annual rate of approximately 5%, primarily as a result of:

- the collapse of asset prices in the late 1980s;
- increasing competition from non-bank financial institutions, including mortgage originators; and
- the impact of corporates dealing direct with the market and not through the banking system (i.e. disintermediation).

All Banks - Total Australian assets and annual growth 1986-1995



Source: Reserve Bank of Australia

The lack of growth opportunities in the Australian market has led some of the major banks to diversify their asset base and expand offshore operations and investments.

Aggressive pricing policies

Aggressive competition in a market exhibiting low growth has led to increasing pressure on pricing. The effects of increased competition have been most publicised in, but are not exclusive to, the residential mortgage market.

In recent years, specialist mortgage originators have taken advantage of low costs of distribution to compete directly with the banks and charge highly competitive rates for residential lending. Without a full range of products and services comparable to that provided by the banks, these new entrants have tended to focus solely on price competition.

Current indications are that the banks may have to reduce interest spreads on residential lending further if they are to maintain, or at least restrict the loss of, their market share. This issue is particularly important as the proportion of Australian residential lending to the total domestic loans and advances of the major banks has increased from approximately 32% in 1992 to 42% in 1995.

Restructuring of service delivery channels

The major banks have undertaken a significant restructuring of their distribution channels over the past few years. In particular, there has been a focus on the rationalisation of branch networks and the centralisation of many services that had previously been undertaken at the branch level.

Since 1991, there have been significant reductions in staff numbers and the size of branch networks. In the last twelve to eighteen months the rate of reduction has slowed.

Future strategies are likely to include an expansion of electronic, home and telephone banking capabilities and a reduction in higher cost "over-the-counter" transactions. This should reduce the banks' service delivery costs as well as releasing branch staff to promote the sale of additional products and services.

Continuing investment in technology is essential to the development of the banking industry. The benefits from this investment may take some time to realise as significant changes to both consumer preferences and the skills of the banks' management and staff are required. However, the banks have some influence over the pace of change, for example the extent to which differential pricing is used to encourage customers to use electronic rather than over-the-counter transactions.

Changes in savings patterns

Banks have traditionally relied upon a large retail deposit base to minimise their overall cost of funds. The relatively low interest expense associated with this deposit base has also been important in supporting the infrastructure costs of the retail deposit base, in particular the costs of maintaining branch networks.

As the banks' retail customers become more sophisticated and aware of different savings opportunities, they are more typically active investors rather than passive depositors. This has led to a significant reduction in the proportion of the banks' non-interest bearing liabilities to total liabilities over the last thirteen years.

All banks - non-interest bearing liabilities to total liabilities

Year	%
1982	14.7
1986	10.0
1990	5.7
1995	4.0

Source: Reserve Bank of Australia

Increasing competition for savings from insurers, superannuation funds and other fund managers has also meant that the banks have had to offer higher rates of interest in order to attract savings and maintain their deposit base.

Changes in savings patterns are likely to increase the banks' overall cost of funds which, in turn, will place pressure on interest margins.

Increased focus on non-interest income

Pressure on net interest earnings has encouraged the banks to focus on the potential to increase non-interest income. Traditionally, a significant component of non-interest income has been from fees and charges. This source of income has been the subject both of public debate and a recent inquiry by the Prices Surveillance Authority ("PSA").

The submissions to the inquiry by the banks and other financial institutions highlighted the fact that less than 15% of the costs involved in providing retail transaction accounts were recovered from direct fees and charges. Recovery of the remainder of the costs has traditionally been through interest rates and cross-subsidisation from other services.

The commercial response of the banks to the inquiry is still at an early stage, but in the current environment it may be difficult for the banks to increase the overall level of fees and charges.

Accordingly, the banks are developing alternative strategies to increase non-interest income including efforts to both increase the earnings from their existing customer base and diversify their sources of income.

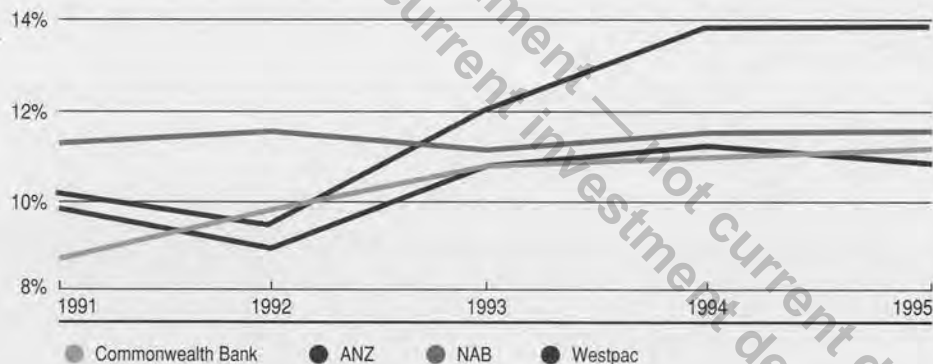
Recent investments in technology and market research techniques mean that the banks now have more comprehensive data relevant to specific demographic groups and even individual customers. This data will allow the banks to focus their marketing of additional products and services toward specific groups and, in particular, high value customers.

The breadth of the banks' operations means that they have the capacity to source additional earnings from outside their traditional retail banking base. Areas such as funds management, capital markets trading and structured finance transactions provide the banks with opportunities to increase non-interest income and compensate for the competitive pressures on net interest earnings.

Management of excess capital

A combination of recent capital raisings and retention of earnings has meant that the major banks are currently operating with capital in excess of both immediate needs and the regulatory minimum of 8%.

Major Banks - Capital adequacy ratios 1991-1995



Source: Annual Reports

Excess capital tends to reduce returns on equity and puts pressure on management to grow the business, either internally or by acquisition, or to return capital to shareholders.

There has been some recent evidence of the banks either using excess capital to fund acquisitions (for example NAB and Westpac) or returning capital to shareholders (for example ANZ and Westpac). However, there is still the capacity within the banking sector for significant asset growth. This over-capacity is likely to increase competition for lending opportunities and place further pressure on interest margins.

Regulatory reform

As part of its 1996 election campaign, the Federal Coalition Government made a commitment to initiating a further inquiry into the Australian financial system. The scope and terms of reference of the inquiry have yet to be determined, but indications are that it could be as far-reaching as the Campbell Committee in 1981 and the Martin Parliamentary Committee in 1991.

The banks are seeking reforms which would provide a more level playing field for all financial service providers in Australia. If successful, this could alleviate some of the recent competitive pressures that the banks have been facing.

Note: The terms of reference of the inquiry have been announced since publication of the Independent Expert's Report. An update is provided in Section 5.4.

Historical copy of CBA's 1996 offer document — not current disclosure.
Do not rely on this document for any current investment decision.

Overview of the Bank

Background and history

Background

The Bank together with its subsidiaries, provides a wide range of banking, financial and related services in Australia and overseas. At present, it is the second largest banking group in Australia based on domestic assets and the third largest based on consolidated global assets.

The Bank has a substantial retail deposit base and operates in excess of 18 million accounts for its customers. At present, the Bank has over 1,400 branches and service centres spread throughout Australia. In addition, limited banking facilities are available in Australia through over 4,000 Post Offices and private agencies.

Internationally, the Bank is represented through subsidiaries in Hong Kong, New Zealand and Papua New Guinea; branches in London, New York, Singapore, Tokyo, Grand Cayman and representative offices in Beijing, Hanoi, Jakarta and Shanghai.

History

The Bank was established by an Act of Parliament in 1911 to conduct trading and savings banking business and it opened for business on 15 July 1912 in Melbourne. By 1913, the Bank was operating in all States and Territories in Australia with a Head Office in Sydney.

After the passing of the Commonwealth Banks Restructuring Act 1990 which paved the way for the privatisation of the Bank, the Commonwealth has decreased its shareholding in the Bank through two public share offers:

- on 28 August 1991 the Commonwealth sold approximately 30% of the issued capital of the Bank for \$5.40 per share, thereby reducing the Commonwealth's shareholding to just over 70%; and
- on 1 November 1993 the Commonwealth sold approximately 20% of the issued capital of the Bank for between \$9.35 and \$9.60 per share, reducing the Commonwealth's shareholding to the current level of just over 50%.

Principal business activities

The Bank comprises a number of businesses which operate predominantly in Australia and New Zealand. A summary of the contribution to profit after tax from each key entity for the four years ended 30 June 1995 and the six months ended 31 December 1995 is provided below:

Contribution to profit after tax 1992 - 1995

	Years ended 30 June				Six months ended
	1992 \$m	1993 \$m	1994 \$m	1995 \$m	31 Dec 95 \$m
Banking Operations	385	503	537	828	447
CBFC	27	54	56	55	25
ASB Bank	28	31	37	56	31
Commonwealth Development Bank	(22)	(12)	40	48	24
CBA Financial Services	12	19	46	50	25
Other operating subsidiaries	25	34	19	32	19
Outside equity and goodwill	(46)	(49)	(53)	(58)	(29)
Abnormal items	-	(137)	-	(28)	-
Profit after tax	409	443	682	983	542

Section 4 **information about the Commonwealth Bank**

Banking Operations

Banking Operations is the Bank's major business and comprises three operating divisions:

Personal Banking

The Personal Banking division is Australia's largest retail operation with over six million customers. The division provides a full range of personal banking products through a nationwide network of over 1,400 branches.

The Personal Banking division provides the Bank's core asset base and source of funds through its home lending operations and retail deposit base.

Business Banking

The Business Banking division provides banking services to medium size corporates, managing over 30,000 client relationships through 71 business centres. The services include fixed term advances, variable rate lending through the Better Business Loan product, interest bearing cheque accounts and other commercial banking facilities.

Institutional Banking

The Institutional Banking division provides a broad range of financial services to Australia's top 1,000 corporates, Australian government entities and other major institutions.

The division is active in underwriting debt security issues on behalf of corporations, government bodies and statutory authorities. In addition, the division engages in money market, foreign exchange, fixed interest and futures trading, and undertakes interest rate and currency swaps and options. Other services include corporate advisory, discount share broking and services for exporters and importers.

CBFC

CBFC is a specialist provider of vehicle and equipment finance primarily to small to medium business enterprises.

ASB Bank Ltd

The ASB Bank operates in New Zealand and is a 75% owned subsidiary of the Bank. The ASB Bank offers a full range of retail and commercial banking services and is also developing selected corporate banking capabilities.

Commonwealth Development Bank

The Commonwealth Development Bank ("CDB") is a 92% owned subsidiary of the Bank with the remaining 8% owned by the Commonwealth. The CDB has a special charter under the Commonwealth Banks Act to provide finance to small businesses, including primary producers, where this would not otherwise be available on reasonable terms and conditions. Since 1994, the CDB has received an annual subsidy of \$20 million from the Commonwealth.

The Commonwealth has not indicated any intention to vary its equity position in the CDB. Maintenance of this position is dependent on the payment of the subsidy to CDB to ensure that the Bank's shareholders are not disadvantaged by the special charter role of CDB. The removal of the subsidy would give the Bank the right to withdraw the CDB's special charter from its Memorandum of Association. If this was to occur, the Bank expects that the CDB would operate on fully commercial terms with the objective of providing normal economic returns for shareholders.

Note: The position of the CDB has changed since publication of the Independent Expert's Report. An update is provided in Section 5.3.

CBA Financial Services

CBA Financial Services ("CBAFS") is involved in the provision of investment advice and management services in relation to both retail and wholesale investment funds. CBAFS is currently ranked as the fifth largest fund manager in Australia and the third largest manager of retail funds. Other activities include the provision of life insurance, with Commonwealth Life the fifth largest life company in Australia based on assets.

Total funds under management increased from approximately \$10.6 billion in 1991 to \$13.9 billion in 1995 as a result of strong growth in the funds management industry, particularly superannuation.

Balance sheet summary

A summary of the Bank's assets and liabilities for each of the four balance dates to 30 June 1995 and as at 31 December 1995 is provided below:

Balance sheet summary 1992-1995

	30 June				31 Dec
	1992	1993	1994	1995	1995
	\$m	\$m	\$m	\$m	\$m
Liquid assets, inc. due from other banks	5,053	8,036	6,158	6,920	6,950
Trading and investment securities	8,081	9,566	11,901	12,288	10,519
Loans, advances and receivables	57,371	57,960	57,992	62,707	65,379
Bank acceptances	11,235	9,676	9,354	10,317	10,539
Other assets	6,600	5,741	5,916	7,363	6,934
Total assets	88,340	90,979	91,321	99,595	100,321
Deposits and other public borrowings	57,439	63,325	62,602	64,333	66,553
Due to other banks	3,782	3,112	3,414	3,802	2,921
Bank acceptances	11,235	9,676	9,354	10,317	10,539
Debt issues	4,649	3,425	3,936	4,921	5,610
Other liabilities	3,807	3,722	4,342	7,926	5,682
Total liabilities	80,912	83,260	83,648	91,299	91,305
Shareholders' equity and loan capital	7,428	7,719	7,673	8,296	9,016
Total liabilities and equity	88,340	90,979	91,321	99,595	100,321

Since 1992, growth in total assets has largely been driven by an increase in loans, advances and receivables funded predominantly by a similar increase in deposits and other public borrowings.

Loan composition

A summary of loans, advances and receivables by type of lending for each of the four balance dates ended 30 June 1995 and as at 31 December 1995 is provided below:

Loans, advances and receivables 1992 - 1995

	30 June				31 Dec
	1992	1993	1994	1995	1995
	\$m	\$m	\$m	\$m	\$m
Overdrafts	3,343	2,738	3,017	3,444	2,868
Housing loans	21,427	23,398	27,173	30,716	32,048
Credit card outstandings	1,331	1,357	1,417	1,514	1,674
Lease financing	2,922	2,583	2,492	2,564	2,555
Bills discounted	1,563	1,997	1,388	1,174	998
Term loans	24,469	22,208	18,909	19,552	21,783
Other	6,410	6,334	6,102	6,051	5,749
Gross loans, advances and receivables	61,465	60,615	60,498	65,015	67,675
Provisions and reserved interest	(2,523)	(1,356)	(1,341)	(1,123)	(1,130)
Unearned income	(1,571)	(1,299)	(1,165)	(1,185)	(1,166)
Net loans, advances and receivables	57,371	57,960	57,992	62,707	65,379

Housing loans

The above table shows considerable growth in home lending since 1992. This has been achieved in Australia through the Personal Banking division and New Zealand through the ASB Bank.

The home loan market has undergone change in recent years as customers refinance loans to take advantage of the "honeymoon" deals on offer in the market place. This has led to a reduction in the term of the Bank's average home loan which means that the Bank needs to write significantly more new business each year to maintain the overall balance of loans outstanding.

In addition, there has been a general decline in demand in the Australian home loan market during the second half of 1995 although activity has improved in recent months.

Despite the above factors, the Bank achieved growth in its housing loan portfolio of approximately 4% during the six months ended 31 December 1995 (9% annualised).

Term loans

The trend in term loans shows a contraction from 1992 to 1994 with a considerable turnaround in the last 18 months. This has arisen largely through special pricing initiatives for fixed term products of up to five years. Although overall lending has increased as a result of these initiatives, bill financing has declined, with a consequent reduction in fee earnings.

Sources of funding

Overview

A summary of the key components of the Bank's funding (excluding share capital) for each of the four balance dates ended 30 June 1995 and as at 31 December 1995 is provided below:

Sources of funding 1992 - 1995

	30 June			31 Dec	
	1992	1993	1994	1995	1995
	\$m	\$m	\$m	\$m	\$m
<i>Deposits and other public borrowings</i>					
Deposits not bearing interest	3,786	4,956	4,177	4,532	3,910
Demand and short-term deposits	28,600	35,351	35,335	33,411	33,814
Term deposits	20,815	20,216	20,417	23,166	24,737
By borrowing corporations	3,313	1,933	2,076	2,181	2,276
Certificates of deposit	886	827	547	1,028	1,808
Other	39	42	50	15	8
	57,439	63,325	62,602	64,333	66,553
<i>Due to other banks</i>	3,782	3,112	3,414	3,802	2,921
<i>Debt issues</i>					
Short-term debt issues	2,700	1,854	2,657	3,047	3,213
Long-term debt issues	1,949	1,571	1,279	1,874	2,397
	4,649	3,425	3,936	4,921	5,610
<i>Bills payable</i>	692	966	447	371	216
<i>Loan capital</i>					
Tier 1 capital	1,438	1,601	1,130	1,125	1,074
Tier 2 capital	467	486	471	476	865
	1,905	2,087	1,601	1,601	1,939
Sources of funding excluding share capital	68,467	72,915	72,000	75,028	77,239

The Bank obtains a large proportion of its funds from non-interest bearing, demand and short-term deposits. This position is a reflection of the Bank's substantial retail base and allows it to source funds at relatively low rates of interest.

The cost of funds raised in the wholesale markets is affected by independently assessed credit ratings. To date, the Bank has benefited from the Commonwealth guarantee and, as at 31 December 1995, had the following credit rating.

Credit rating	Short term	Long term*
Standard & Poor's (S&P)	A1+	AA
Moody's	P1	Aa2

*Long term debt repayable in Australian Dollars is rated AAA by S&P and Aaa by Moody's

Independent advice has been provided to the Bank which indicates that the progressive removal of the Commonwealth guarantee will not have a material impact on the overall cost of funds as:

- there is unlikely to be a significant down-grading of the Bank's current credit rating; and
- the proportion of the Bank's funding raised from the wholesale markets is low.

Share capital

The issued capital of the Bank comprises approximately 990.4 million ordinary shares of \$2 each, fully paid. This figure incorporates 18.2 million shares issued pursuant to the Dividend Re-investment Plan on 1 April 1996.

Loan capital

In addition to ordinary share capital, the Bank has issued loan capital which comprises debt issues in the international and domestic capital markets. At 31 December 1995, loan capital amounted to \$1,939 million.

Of this amount, approximately \$1.5 billion is the subject of separate agreements with the Commonwealth which provide, under certain circumstances, for the Bank to issue either fully paid ordinary shares to the Commonwealth or (with the Commonwealth's consent) rights to all shareholders to subscribe for fully paid ordinary shares in the Bank. Management of the Bank have confirmed that the possibility that such circumstances will arise is remote.

Capital adequacy

A summary of the capital adequacy ratios for the Bank for each of the four balance dates to 30 June 1995 and as at 31 December 1995 is provided below:

Capital adequacy ratios 1992 - 1995

	30 June				31 Dec
	1992	1993	1994	1995	1995
	\$m	\$m	\$m	\$m	\$m
Total qualifying capital	7,158.9	7,387.6	7,342.2	7,847.2	8,738.7
Total risk weighted assets	72,836.9	67,747.8	66,938.0	70,382.6	71,942.4
Risk weighted capital ratios					
Tier 1 (%)	8.25	9.66	9.79	10.25	10.44
Tier 2 (%)	1.59	1.30	1.30	1.30	2.00
Less: RBA statutory deductions	-	(0.06)	(0.12)	(0.40)	(0.29)
Total risk weighted capital ratio (%)	9.84	10.90	10.97	11.15	12.15

The Reserve Bank of Australia sets minimum guidelines of qualifying capital to risk weighted assets of 8% in total, of which at least 4% must be Tier 1 capital. The Bank has significantly exceeded these guidelines and has increased its capital adequacy ratio over the past five years.

Operating performance

A summary of the Bank's operating results for the four years ended 30 June 1995 and the half year ended 31 December 1995 is provided below:

Summary of operating results 1992 - 1995

	Years ended 30 June				Six months ended 31 Dec
	1992	1993	1994	1995	1995
	\$m	\$m	\$m	\$m	\$m
Net interest earnings	3,249	2,981	2,844	3,164	1,678
Non-interest income	1,404	1,386	1,415	1,446	736
Total operating expenses	(3,149)	(2,954)	(2,884)	(2,905)	(1,490)
Underlying performance	1,504	1,413	1,375	1,705	924
Bad and doubtful debts	(843)	(468)	(321)	(182)	(57)
Profit before abnormal items and income tax	661	945	1,054	1,523	867
Abnormal items	-	(171)	-	-	-
Income tax:					
— Profit before abnormal items	(245)	(356)	(358)	(493)	(316)
— Abnormal items	-	35	-	(28)	-
Profit after tax	416	453	696	1,002	551
Outside equity interests	(7)	(10)	(14)	(19)	(9)
Profit after tax attributable to the Bank's shareholders	409	443	682	983	542

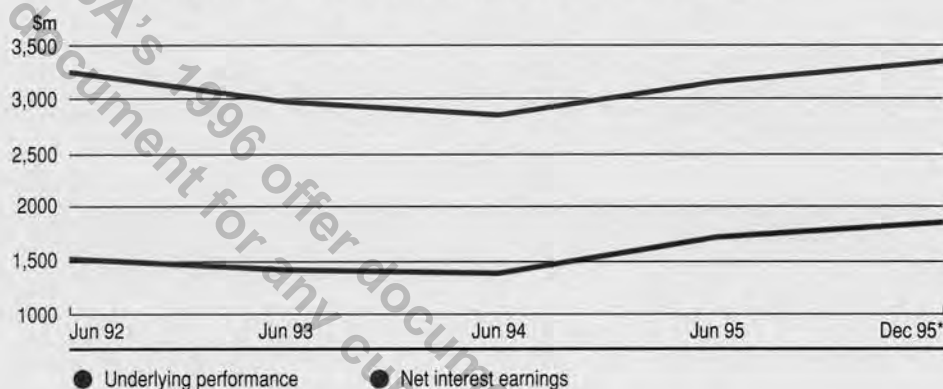
Key performance drivers

Underlying performance

The Bank's underlying performance declined slightly over the period 1991-1994 but has improved significantly over the last eighteen months. The key drivers of this improvement have been an increase in net interest earnings and a stable cost base.

The relationship between underlying performance and net interest earnings can be illustrated as follows:

Underlying performance and net interest earnings 1992-1995



*Annualised for comparative purposes

Net interest earnings

The Bank's net interest earnings and related ratios since 1992 are as follows:

Summary of net interest earnings 1992 - 1995

	Years ended 30 June			Half years ended		
	1992	1993	1994	31 Dec	30 Jun	31 Dec
				1994	1995	1995
	\$m	\$m	\$m	\$m	\$m	\$m
Interest income	8,025	6,514	5,932	3,079	3,599	3,769
Interest expense	(4,776)	(3,533)	(3,088)	(1,593)	(1,921)	(2,091)
Net interest earnings	3,249	2,981	2,844	1,486	1,678	1,678
Net interest spread ⁽¹⁾	3.7%	3.5%	3.3%	3.4%	3.6%	3.5%
Net interest margin ⁽²⁾	4.5%	4.1%	3.8%	3.9%	4.3%	4.1%
Interest earning assets (average)(\$bn)	71.9	72.3	74.7	75.5	79.3	81.1

Notes:

(1) Net interest spread is calculated as the difference between the average interest rate earned on interest earning assets and the average interest rate payable on interest bearing liabilities.

(2) Net interest margin is calculated as net interest income as a percentage of average interest earning assets.

Since 1992, the level of net interest earnings has been affected by a number of interacting influences including:

- growth in interest earning assets;
- movements in market interest rates;
- the extent of competition in the home lending and commercial lending markets;
- the level of impaired assets and extent of interest foregone;
- increases in net interest earning assets;
- the savings patterns of retail customers; and
- external influences such as regulatory or budgetary intervention.

The individual impact of each of these factors is summarised below:

Growth in interest earning assets

Average interest earning assets have increased from \$71.9 billion in 1992 to \$81.1 billion for the six months ended 31 December 1995.

Growth in interest earning assets was the predominant factor driving the increase in net interest earnings for the 1995 financial year.

Movements in market interest rates

A significant proportion of the Bank's funds are provided by retail deposits which are less sensitive than wholesale funds to rises in interest rates. Accordingly, the increases in market interest rates during the 1995 financial year contributed to a slight increase in the Bank's interest margin.

The extent of competition in the residential and commercial lending market

The level of competition in the residential market has increased significantly over the last five years with the introduction of new entrants into the market.

Competition in the commercial lending market has also intensified. In the absence of other factors, increasing competition would have reduced margins through pressure on interest rates charged to customers.

The level of impaired assets and extent of net interest foregone

The level of impaired assets has improved considerably since 1992. As a consequence, the extent of net interest foregone has reduced significantly:

Summary of net interest foregone 1993-1995

	Years ended			Six months
	30 June			ended
	1993	1994	1995	31 Dec 95
Interest income foregone (\$m)	395	201	123	48
Impact on net interest margin (basis points)	55	27	16	12

Increase in net interest earning assets

Net interest earning assets can be measured as interest earning assets less interest bearing liabilities. This measure is a key driver of margins as it indicates the level of interest earning assets that are funded by either non-interest bearing liabilities or shareholders' equity.

The Bank's level of net interest earning assets has increased from \$8.3 billion in 1992 to \$9.3 billion at December 1995.

Savings patterns of retail customers

Since 1993, the Bank has experienced a movement of retail deposit balances into higher interest bearing accounts reflecting increased customer awareness of investment opportunities. In the absence of other factors, margins will tighten as the cost of retail funding increases.

External influences such as regulatory or budgetary intervention

Other external factors have influenced the level of net interest margins achieved by the Bank. Notably, the 1995 Federal Budget reduced interest payable by the Reserve Bank of Australia on non-callable deposits by 5 percentage points and increased the deeming rates paid on pension balances from 4% to 5%. The combined impact of these two factors was a reduction in the interest margin of approximately 12 basis points (0.12%) for the half year to 31 December 1995.

Overall impact on net interest earnings

Net interest earnings declined between 1992 and 1994 as the impact of high levels of net interest foregone, reducing market interest rates and increasing competition depressed margins. This was not fully offset by an increase in average interest earning assets.

In the year ended 30 June 1995, market interest rates increased, levels of net interest foregone reduced and improvements in the level of free funding more

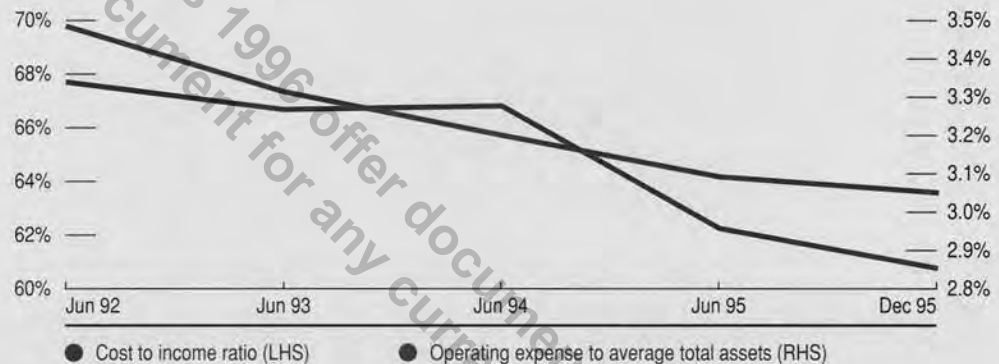
than offset the competitive pressures experienced. This resulted in a widening of margins which, combined with growth in interest earning assets, led to a significant improvement in net interest earnings.

In the six months ended 31 December 1995, market interest rates remained stable but the Federal Budget announcements became effective and increasing competition and gradual changes in savings patterns reduced the Bank's interest margin. However, these factors were offset by considerable growth in the level of interest earning assets and net interest earnings increased as a result.

Efficiency

Trends in the Bank's key measures of efficiency can be summarised as follows:

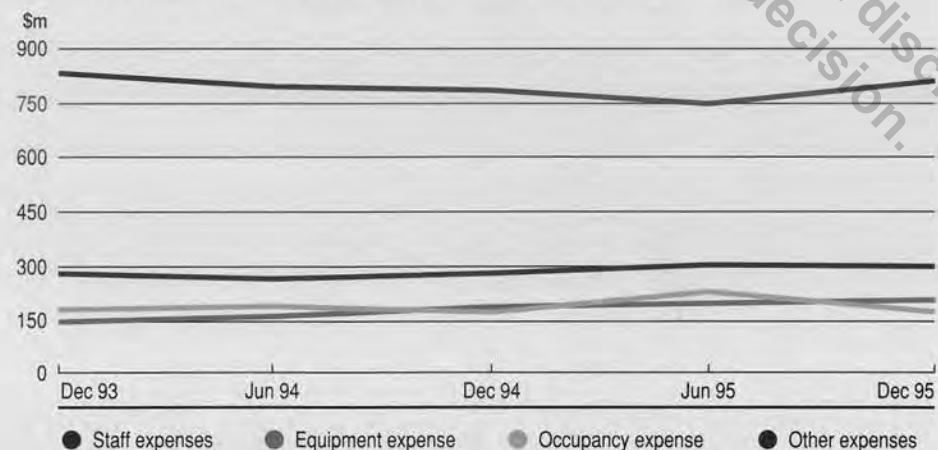
Efficiency ratios 1992-1995



Since 1992, the Bank has improved its efficiency ratios by keeping operating costs stable whilst increasing the asset base and net interest earnings.

An analysis of the core elements of operating costs for each of the five half year periods ended 31 December 1995 is set out below:

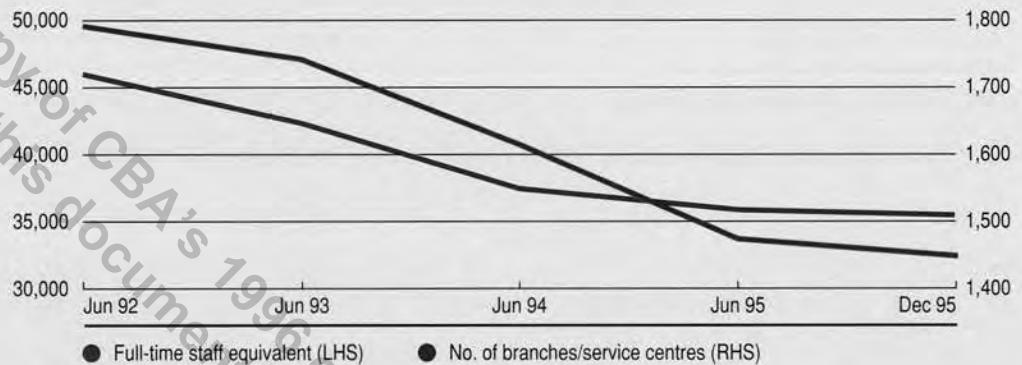
Operating expenses: half yearly December 93-December 95



Section 4 information about the Commonwealth Bank

During the year ended 30 June 1993, a restructuring provision of \$188 million was established and was fully utilised through a number of re-engineering programmes in the two years to 30 June 1995. As a result of this reorganisation, staff expenses declined in the period up to 30 June 1995, primarily through a reduction in head count.

Full-time employees and number of branches 1992-1995



Staff expenses increased in the six months to 31 December 1995 partly as a result of an enterprise bargaining agreement ("EBA") settlement effective from April 1995. Further negotiations have recently been settled which, in the absence of reductions in staff numbers, will increase staff costs in the second half of the 1996 financial year.

Occupancy costs have remained relatively stable since 1993 despite a reduction in the number of branches.

Non-interest income

The Bank has a number of sources of income, in addition to net interest earnings. In particular, significant income is generated from commissions and fees.

Non interest income 1992 - 1995

	Years ended 30 June				Six months ended
	1992	1993	1994	1995	31 Dec 95
	\$m	\$m	\$m	\$m	\$m
Lending fees	510	525	492	501	229
Commission and other fees	504	444	521	549	284
Foreign exchange earnings	86	92	98	77	48
Profit on sale of financial instruments:					
— Trading	41	84	77	65	33
— Investment	84	71	14	9	(6)
Rental income	69	69	67	63	30
Profit on sale of property	5	-	3	11	6
Commonwealth Government subsidy to CDB		-	20	20	10
Other	105	101	123	151	102
	1,404	1,386	1,415	1,446	736

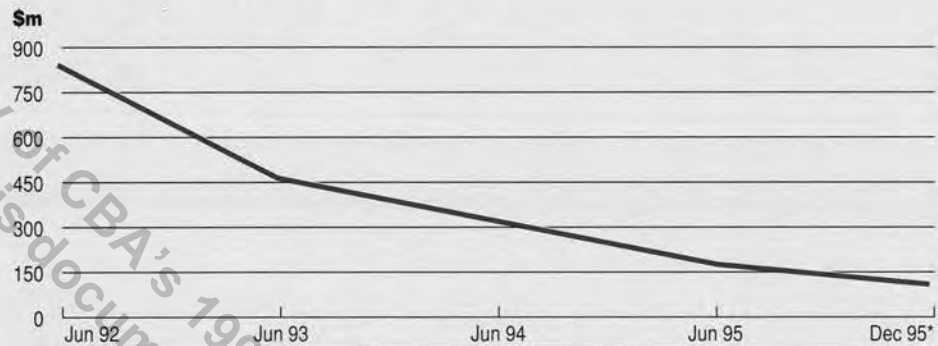
Since 1992, non-interest income has remained relatively stable at approximately \$1.4 billion. In summary:

- lending fee levels have remained relatively stable since 1992 but have declined in the first half of the 1996 financial year. Customers have shown a preference for fixed rate term lending, which carries a lower fee element, rather than bill financing;
- the growth in commission and other fees has been generated largely through the introduction of cardholder fees as account service fees have remained static;
- foreign exchange earnings and profits from the sale of financial instruments have declined since 1994 as a result of difficult market trading conditions;
- "other" income includes revenue from the Bank's insurance operations, which has contributed approximately \$55-\$60 million per annum since 1994; and
- the significant increase in "other" income for the six months ended 31 December 1995 results primarily from a change in presentation, with certain income and related expense items now disclosed on an aggregate basis. This has not had an effect on net earnings.

Bad and doubtful debt expense

In common with other banks, the Bank's bad and doubtful debt expense has reduced significantly since 1992 and this has been the key factor in the improvement in profit after tax over that period.

Bad and doubtful debt expense 1992-1995

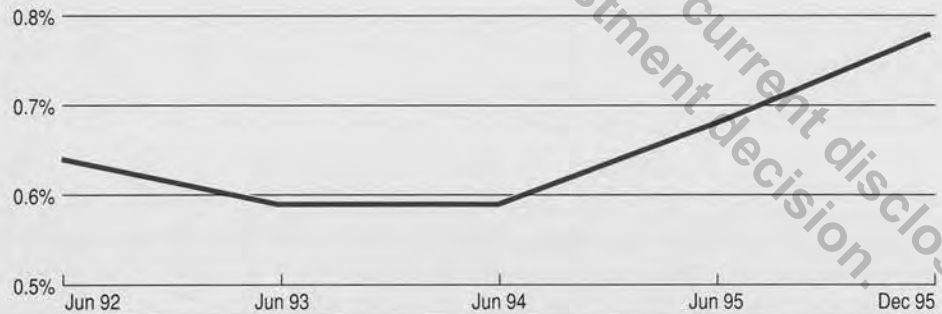


*Annualised for comparative purposes

The charge for bad and doubtful debts is at a cyclical low and may not be sustainable at this level into the future.

Although there is no evidence of any significant deterioration in loan asset quality at present, the level of general provisioning has been increased in recognition of the Bank's assessment of its existing portfolio and its views of the economy going forward.

General provision to risk weighted assets 1992-1995



Income tax expense

An analysis of the Bank's income tax expense (excluding tax on abnormals) for the five years ended 30 June 1995 is set out below:

Income tax expense 1992 - 1995

	Years ended 30 June			Six months ended	
	1992	1993	1994	1995	31 Dec 95
	\$m	\$m	\$m	\$m	\$m
Income tax expense	245	356	358	493	316
Effective tax rate (%)	37.1	37.7	33.9	32.4	36.4
Corporate tax rate (%)	39.0	39.0	33.0	33.0	36.0

Since 1992, there has not been a material difference between the Bank's income tax expense and the corporate tax rate. Management has confirmed that they do not expect any significant change to this position in the foreseeable future.

Outlook to 30 June 1996

As part of its profit announcement for the half year ended 31 December 1995, the Bank made certain statements in relation to the financial outlook for the year ending 30 June 1996.

In part, these statements were based on the Bank's 1995/96 budget and current forecast for the year ending 30 June 1996. The current forecast also assesses the sensitivity of the Bank's earnings to a number of risk factors and is expressed in terms of a range of outcomes.

The lower end of the range indicates a profit after tax attributable to the Bank's shareholders of \$1,084 million for the year ending 30 June 1996. This implies a forecast profit after tax for the six months ending 30 June 1996 of approximately \$542 million, which compares to the reported profit after tax for the six months ended 31 December 1995 of \$542 million.

This trend in profits is consistent with comments made by the Bank in a recent announcement, which stated that:

"Directors expect that the Bank's earnings growth rate during 1995/96 will be lower than that recorded in the past two years. Despite the slowing in earnings growth, earnings for the second half are likely to at least match those of the first half."

However, it is important that any assessment of the Bank's immediate profit outlook is considered in the context of factors that may affect the Bank's medium to long term prospects.

Factors impacting future performance

Whilst the Bank's historic and current operating performance provides some indication of likely future performance, certain key factors will affect the ability of the Bank to maintain the current level of earnings into the future. These key factors can be summarised as follows:

Positive factors

Retail franchise

The Bank has a strong retail franchise in terms of geographic spread and market share. The potential to derive additional value from the retail customer base is significant.

Growth in non-interest income

Medium to long-term opportunities exist to improve levels of non-interest income. A number of key strategies are in place to take advantage of these opportunities, including an increased emphasis on investment banking activities.

Growth in funds under management

As a major player in the funds management industry, the Bank is well placed to benefit from the strong growth in retail funds under management, particularly superannuation.

Reduction in operating costs

The opportunity for increased efficiency is significant. Branch redesign and process re-engineering will maintain downward pressure on operating costs and efficiency ratios.

Cost of funds

A strong retail deposit base provides the Bank with a comparatively lower overall cost of funds than the other major banks.

Negative factors

Pressure on interest spreads

Interest spreads on residential and commercial lending are under increasing competitive pressure and are likely to narrow further. A recent announcement made by the Bank stated that it is considering a number of options to meet the increased competition. A general reduction in home lending rates and wider distribution of a basic, lower interest rate, home loan product are possible.

Asset growth

The growth in the Bank's home lending portfolio has declined significantly from its peak of approximately 16% during 1994. Given the current level of competition in the residential mortgage market, the ability of the Bank to achieve future asset growth in other areas, particularly Business Banking, will be important.

Employee costs

Employee costs are under considerable pressure as wage rates increase in line with a new EBA and reductions in staff numbers level off. The Bank's ability to control employee costs will continue to have a direct impact on overall performance.

Delivering technology

The Bank is undergoing considerable development as it reduces its reliance on legacy systems and meets the needs of the new electronic banking environment.

The Bank's ability to deliver these technology solutions to improve the efficiency of its operations presents both a challenge and an opportunity in the medium term.

Credit performance

The level of bad debt expense has reached what would appear to be a cyclical low point. Maintaining the current low levels will be a significant challenge requiring careful monitoring of the loan portfolio and rigorous control over the quality of approvals.

Competition - comparative analysis

Introduction

Balance sheet composition and key performance ratios have been considered in assessing the similarities and differences between the Bank and the other major banks.

The assessment includes a review of:

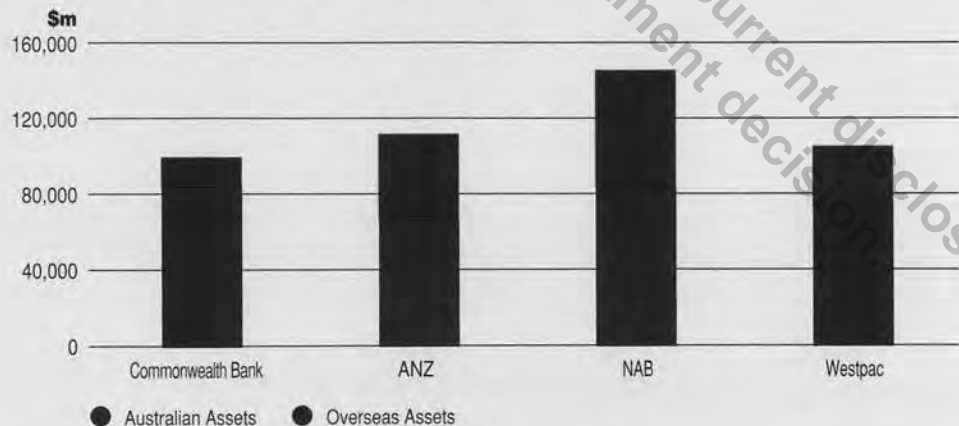
- the composition of assets and liabilities;
- overall profit performance and return on equity;
- interest spreads and margins;
- non-interest income;
- efficiency; and
- asset quality.

Unless indicated otherwise, the information presented in this section is based on the annual reports of each of the major banks. As a result, the information does not relate to identical periods and balance dates as the Bank's financial year ends on 30 June compared to 30 September for NAB, ANZ and Westpac. This is not considered to have a material impact on the analysis or the conclusions drawn.

Comparison of assets

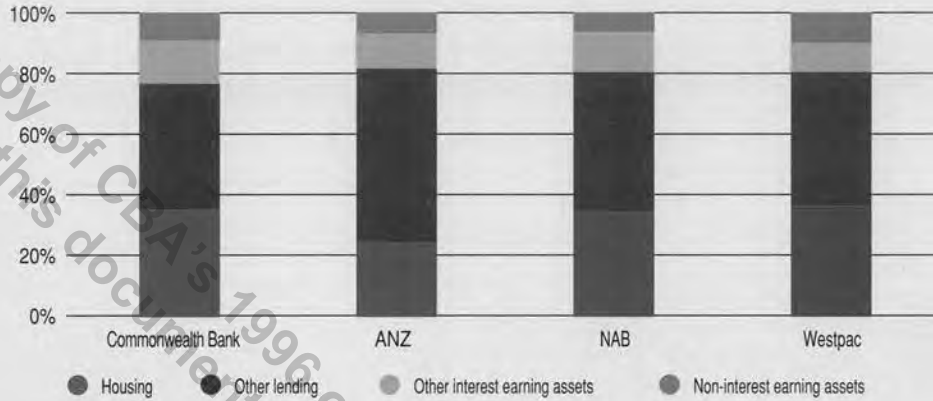
The most significant difference in the composition of the major banks' asset base is the proportion of domestic to foreign assets and investments. NAB and ANZ both have significant operations and investments overseas, whereas the Bank and Westpac have smaller offshore interests based predominantly in New Zealand.

Geographical analysis of total assets



An analysis of the composition of Australian assets does not indicate any significant differences between the major banks, although ANZ has a relatively lower exposure to housing loans compared to the other major banks.

Composition of Australian assets*

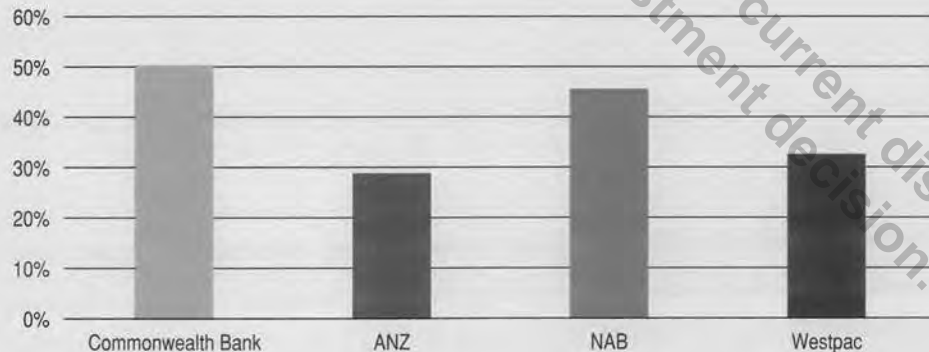


*Excludes bank acceptances and assets relating to derivative instruments

Comparison of funding sources

The most significant difference in the composition of each major bank's funding base is that the Bank generates a greater proportion of its funds from retail deposits. The following diagram shows demand, short-term and non-interest bearing liabilities as a proportion of total funding for each of the major banks.

Demand, short-term and non-interest bearing liabilities as a percentage of total funding



Demand, short-term and non-interest bearing liabilities include retail deposits which have a lower interest cost than wholesale funds. The relative size of the Bank's retail base allows it to source funds at a lower rate of interest than the other major banks.

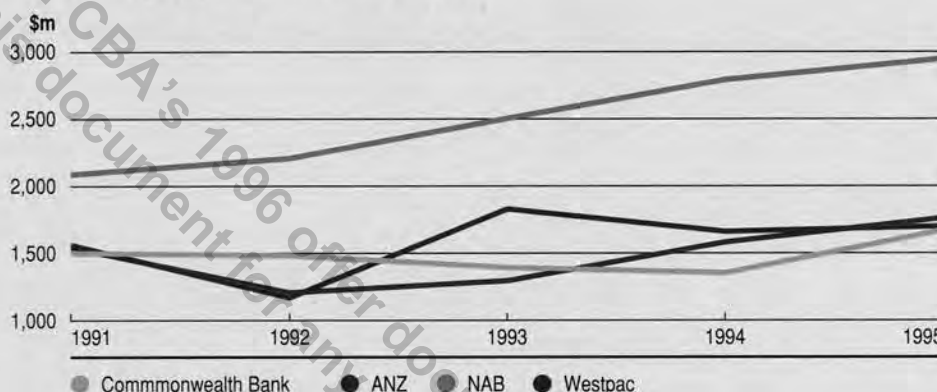
Section 4 information about the Commonwealth Bank

The Bank's cost of funds for the 1995 financial year, calculated as the percentage of interest expense to average interest bearing liabilities, was 5.2%. The average cost of funds for the other major banks was approximately 6.4%.

Comparison of underlying profit performance

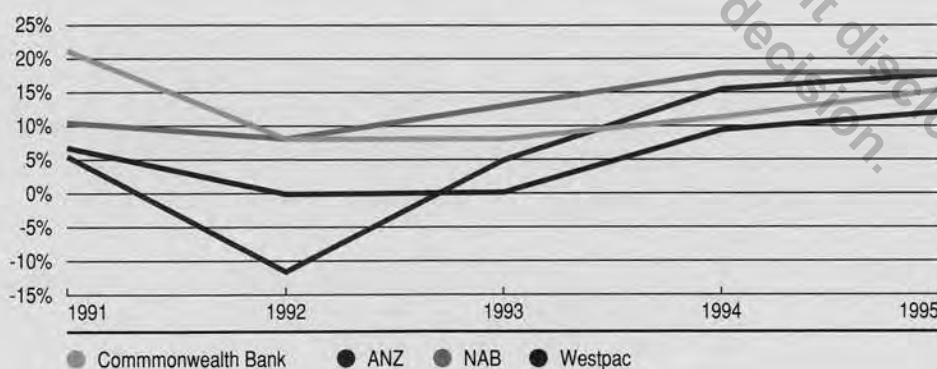
A comparison of underlying performance (calculated as operating profit before charges for doubtful debts and abnormal items) indicates that the Bank, ANZ and Westpac all have similar levels of core earnings. Based on this measure, the NAB has consistently outperformed the other major banks over the last five years.

Underlying performance 1991-1995



Primarily as a result of problems with asset quality, all of the major banks suffered a decline in profitability and return on shareholders' equity during the early 1990s. The banks have subsequently recovered from these difficulties and the Bank's return on equity of 15.7% for the 1995 financial year is comparable with its competitors.

Return on average shareholders' equity 1991-1995

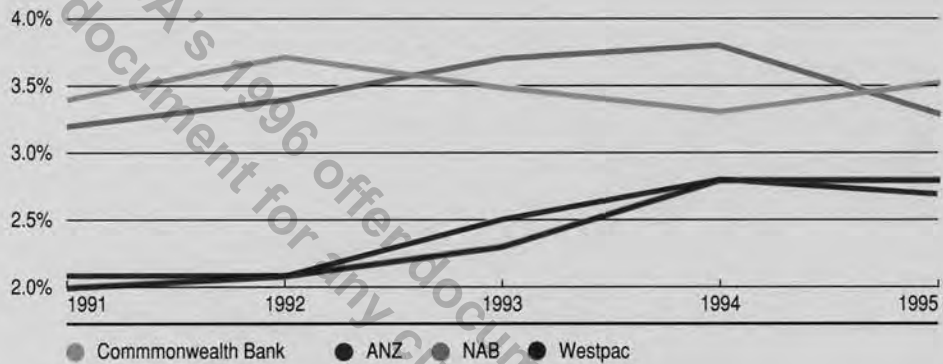


Comparison of interest spreads and margins

Interest spreads are calculated as the difference between the average interest rate earned on interest earning assets and the average interest rate payable on interest bearing liabilities.

The Bank and NAB have traditionally recorded larger interest spreads than either ANZ or Westpac. This reflects the different business mixes of the major banks and the relative sizes of their retail deposit bases. Based on 1995 results, the Bank currently has the largest interest spread of all the major banks.

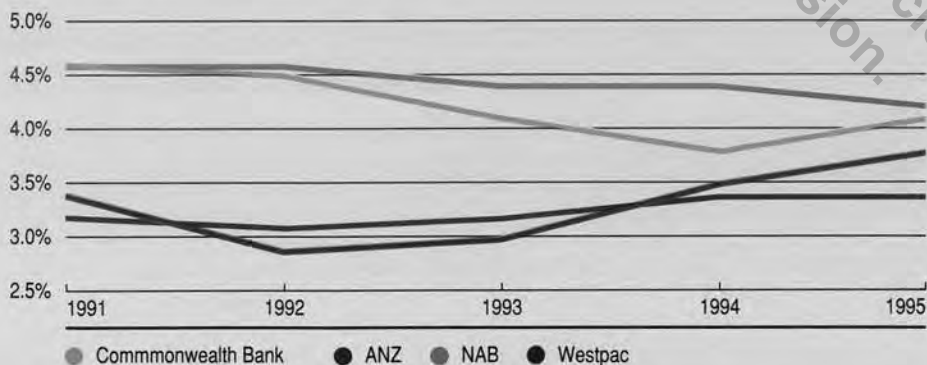
Interest spreads 1991-1995



Interest margins are calculated as net interest income as a percentage of average interest earning assets. Accordingly, margins take into account both the benefit of net interest-free funds and the cost of non-performing loans.

The Bank's interest margin has moved broadly in line with its average interest spread and is also at the upper end of industry norms.

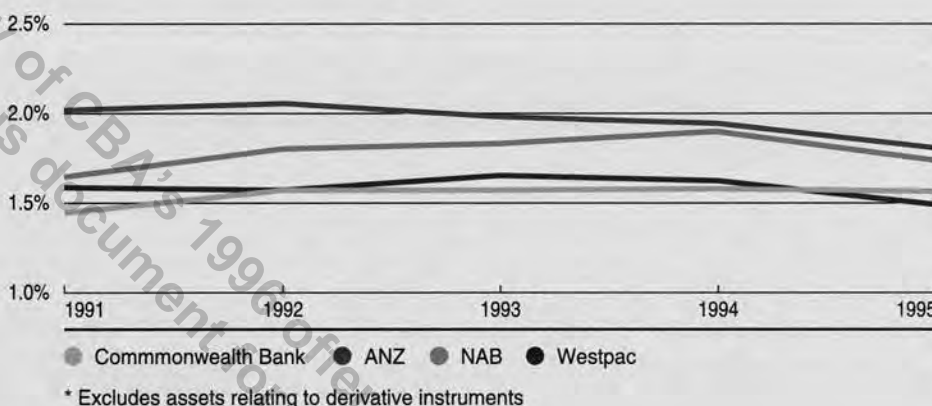
Interest margins 1991-1995



Comparison of non-interest income

Since 1991, all of the major banks have had comparable levels of non-interest income as a proportion of their asset bases. Over this period, none of the major banks have experienced significant growth in non-interest income. This is primarily a result of competitive pressure on fees and commissions, which are the most significant components of non-interest income.

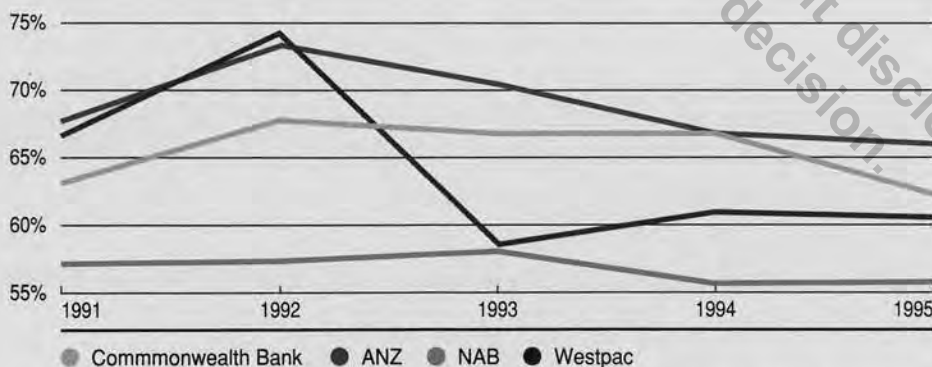
Non-interest income/average total assets* 1991-1995



Comparison of cost to income ratios

The most commonly used measure of efficiency in the banking industry is the ratio of operating expenses to operating income. All of the major banks have improved their cost to income ratios during the last three years, primarily as a result of branch rationalisation and reductions in staff numbers. Improvements in net interest earnings have also had a favourable impact.

Cost to income ratio 1991-1995



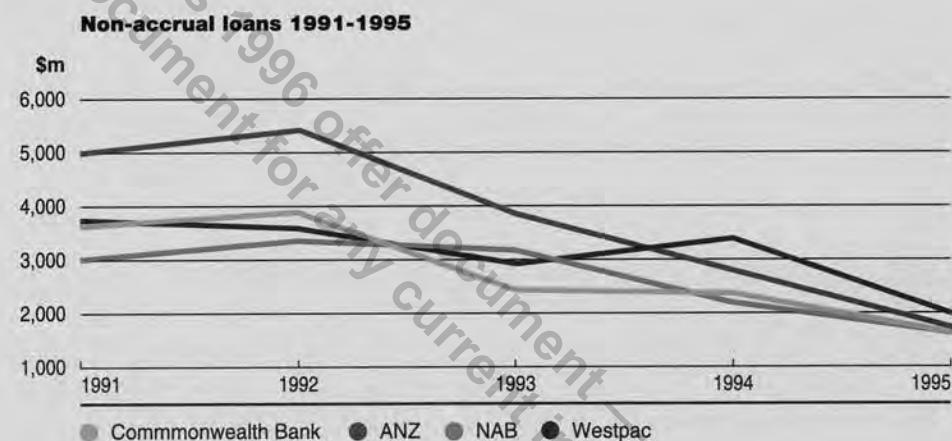
Notes: (1) Operating expenses exclude abnormal items, charges for doubtful debts and goodwill.
 (2) Operating income consists of net interest income plus non-interest income.

The Bank improved its cost to income ratio during 1995 by achieving a significant increase in earnings and holding operating costs stable. Even so, the Bank's ratio is still slightly higher than the industry average, particularly as ANZ's ratio tends to reflect a relatively lower level of non-interest income rather than a higher cost base.

The Bank's relatively high expense ratio is primarily a result of its larger branch network but suggests that further improvements in its cost to income ratio may be achievable in the medium to long term.

Comparison of asset quality

The level of non-performing loans has improved for all the major banks over the last three years.



Note: The Reserve Bank of Australia introduced a definition for non-accrual loans which was applicable from 1 July 1994. Prior to this date, there may have been some inconsistency in the definition of non-accrual loans between the major banks. Any such differences are not considered material for the purposes of this report.

Credit quality measures for the Bank (December 1995) and the other major banks (September 1995) are as follows:

Asset quality and level of provisioning

	General provisions for doubtful debts/risk weighted assets ⁽¹⁾	Impaired assets ⁽²⁾ / total loans and advances ⁽³⁾	Specific provisions/ impaired assets ⁽²⁾
	%	%	%
The Bank	0.78	1.98	31.3
ANZ	0.82	2.71	37.2
NAB	0.51	2.00	28.6
Westpac	0.88	3.31	43.2

(1) Ratio calculated net of related tax balances. (2) Net of reserved interest. (3) Net of unearned income.

Section 4 **information about the Commonwealth Bank**

The Bank's general provision as a percentage of risk weighted assets is in line with ANZ and Westpac. NAB's general provision, at 0.5% of risk weighted assets, is consistent with a guideline suggested by the Reserve Bank of Australia.

By value, the Bank has the lowest level of impaired assets and its ratio of impaired assets to total loans and advances compares favourably to the other major banks.

The Bank's ratio of specific provisions to impaired assets is comparable with both NAB and ANZ. Westpac has made significant specific provisions in recent years and its ratio is higher than the other major banks as a result.

Summary

There are a number of factors relevant to an assessment of whether the Bank has a comparative advantage or disadvantage relative to the other major banks.

In summary:

Positive factors

- Strong retail deposit base delivering a lower cost of funds.
- Potential for further improvements in operating costs.

Neutral

- Underlying performance comparable to ANZ and Westpac.
- Return on equity consistent with the average for the sector.
- Non-interest income as a proportion of total assets comparable to the other major banks.
- Asset quality measures comparable to the other major banks.

Negative factors

- Lack of international diversity. As a result, the Bank's returns are more susceptible to variations in the Australian economy, in particular, the domestic home loan market.
 - High interest margin may prove difficult to maintain.
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Historical
Documents

Martin Place as it is today.

5.1

Sale by Instalment Trust Agreement and Instalment Arrangements

5.1.1 The Documents Concerned

The instalment trust agreement is constituted by a Security Trust Deed dated 5 June 1996 made between the Commonwealth and the Trustee as well as by the terms, provisions and statements of a number of other documents which are incorporated into the Security Trust Deed.

Accordingly, references in the Security Trust Deed, and in this summary, to the “**Deed**” include all the terms, provisions and statements of not only the Security Trust Deed itself but also this Offer Document, Application Forms, forms of Transfer and Transmission Elections, Deeds of Acknowledgement (mainly concerning the obligation to pay the Final Instalment) and terms of registration in the IR Register.

The Security Trust Deed is a lengthy document of importance to investors when making an assessment of whether to apply for Sale Shares. Accordingly, certain key provisions of the Security Trust Deed are summarised below. This summary is not intended, however, to set out in detail all of the provisions of the Security Trust Deed, and it does not deal with the provisions relating to American Depositary Receipts (“**ADRs**”) and Depositary Trust Company nominee arrangements.

Certain capitalised terms used in this summary have defined meanings in the Deed not always repeated or paraphrased in this summary.

5.1.2 Monetary Obligations of IR Holders

An “**IR Holder**” is a person for the time being entered in the IR Register as the holder of an Instalment Receipt, or “**IR**”. Each IR Holder is bound by the terms and obligations of the Deed.

The key monetary obligations of IR Holders are:

- to pay to the Commonwealth by 5.00pm Sydney time on the Final Instalment Payment Date, the Final Instalment in respect of the Sale Shares to which its IRs relate (see paragraph 5.1.3(a) below).
- to pay or reimburse the Trustee for “**Duties and Taxes**” (see paragraph 5.1.18 below).

- to pay other **"Unpaid Amounts"** (see paragraph 5.1.7 and other paragraphs below).
- to pay to the Commonwealth any **"Early Sale Deficiencies"** (see paragraphs 5.1.15 and 5.1.16 below).
- to pay to the Commonwealth **"Interest"** in certain circumstances (see paragraph 5.1.7(b) and other paragraphs below).

The monetary obligations imposed on an IR Holder are absolute, free of any right to counterclaim or set off, and may only be satisfied by a Cleared Payment, without deduction of any kind.

5.1.3 Fundamental Principles of the Deed

The Deed reflects a number of fundamental principles:

- (a) each person registered as an IR Holder at 5.00pm Sydney time on the 6th Business Day prior to and inclusive of the Final Instalment Payment Date (**"Obligor Determination Time"**) is obliged to pay to the Commonwealth by 5.00pm Sydney time on the Final Instalment Payment Date the Final Instalment in respect of each Sale Share to which its IR Holding relates as at the Obligor Determination Time.
- (b) IRs will be quoted on ASX. IRs can be transferred on-market or off-market. In the case of those transferees not covered by an ASC modification to the Corporations Law (having the consequence that certain transferees are bound to pay the Final Instalment), a paper-based off-market transfer is only permitted if the transferee executes and delivers to the IR Registrar together with the transfer document, a duly stamped Deed of Acknowledgement in a prescribed form. The primary purpose of that Deed of Acknowledgement is for the transferee to covenant to be bound personally by the Deed, including the obligations of an IR Holder to pay the Final Instalment on the Final Instalment Payment Date and to pay Interest and recovery costs if there is default.
- (c) No pledge, mortgage, charge or other encumbrance may be created or arise over Sale Shares to which an IR relates (see paragraph 5.1.5 below).

- (d) By making an Application under this Offer Document a person is offering to purchase from the Commonwealth a specified number of Sale Shares.

If and to the extent that an Application is accepted by the Commonwealth in respect of a particular number of Sale Shares, at the moment of Acceptance (defined in the Deed) the Successful Applicant acquires a beneficial interest ("**Beneficial Interest**") in those Sale Shares as a purchaser by instalments, being an interest constituted and governed by the Deed.

The Commonwealth will then transfer the legal interest in those Sale Shares to the Trustee which then will become the registered holder of those Sale Shares.

At the time of that registration a number of trusts will come into existence, one separate trust ("**Separate Trust**") for each such Sale Share. The Trustee shall during the term of a Separate Trust hold the Sale Share concerned as trustee for the Commonwealth in respect of its Security Interest and otherwise for the Successful Applicant concerned (and its subsequent successors and assignees). The Commonwealth's "**Security Interest**" means the security which the Commonwealth, as unpaid vendor for the Final Instalment, has in each such Sale Share pending receipt by the Commonwealth of the Final Instalment for that Sale Share.

At the time a Separate Trust in respect of a Sale Share is so constituted the Successful Applicant will be registered as the initial holder (ie IR Holder) of the IR in respect of that Sale Share.

An IR evidences payment of the First Instalment paid for a specified Sale Share and constitutes evidence of the Beneficial Interest held in respect of that specified Sale Share by the Successful Applicant or its successors and permitted assignees.

The initial IR Holder will receive an IR in certificated or uncertificated form.

The total number of IRs to be registered in the name of a Successful Applicant shall be equal to the total number of Sale Shares registered in the name of the Trustee pursuant to the Application of that Successful Applicant.

Accordingly, an IR Holder shall be entitled to the Beneficial Interest in each Sale Share corresponding to the IRs registered in the name of that Holder. And each IR shall correspond to an individual Sale Share registered in the name of the Trustee.

- (e) The rights and obligations evidenced by an IR may be transferred in combination but not separately. As and from the date the name of a Transferee (or Transmittee) is entered on the IR Register that Transferee (or Transmittee) will be treated as having assumed the rights and obligations of a Successful Applicant as though it had been the initial Successful Applicant in respect of the Sale Shares to which its IRs relate.
- (f) If the Final Instalment is duly paid by or on behalf of the person who is the IR Holder in respect of the Sale Share concerned at the Obligor Determination Time, the Security Interest will be released, the IR will be cancelled and the Trustee will transfer the Sale Share to the IR Holder.
- (g) If the Final Instalment is not duly paid, the Trustee will sell the relevant Sale Shares by way of enforcement of the Security Interest and may, depending upon the outcome of the sale, have further powers described in the Deed to recover any balance of the Final Instalment, together with Interest and certain outgoings.
- (h) The Deed creates a mechanism for IR Holders to participate in CBA dividends and to control the exercise of voting powers attached to Sale Shares to which their IRs relate (see paragraphs 5.1.10 - 5.1.12 below).
- (i) The Trustee has no powers, rights or discretions in respect of Sale Shares (such as to vote or dispose of them) except as set out in the Deed.

In many circumstances set out in the Deed the Trustee's only obligations are to take what are called "Reasonable Steps", being actions which are lawful, practicable, do not necessitate any expense by

the Trustee (unless expressly authorised and borne by the Commonwealth) and do not expose the Trustee to any actual or contingent liability to any person.

Save as provided in the Deed, the Trustee has no right of recourse to be indemnified against a Sale Share the subject of a Separate Trust but instead its sole right of recoupment, recourse and indemnity lies against the Commonwealth as part of an undertaking by the Commonwealth to provide to the Trustee operating expenses and pay or reimburse the Trustee for outgoings and provide the Trustee with certain indemnities.

5.1.4 Duty of Impartiality and Exceptions

In the performance of its duties and functions under the Deed the Trustee shall have due regard (in accordance with the principles of trust law) to both the Security Interest and the Beneficial Interest in each Separate Trust and will not unfairly favour one such interest ahead of the other. This shall not apply, however, in the case of a sale by the Trustee of Sale Shares upon failure by the IR Holder to pay the Final Instalment or in relation to any action which the Trustee may take to recover Unpaid Amounts (see paragraph 5.1.7(a) and other paragraphs below) or Early Sale Deficiencies (see paragraph 5.1.15 and 5.1.16 below) or Interest or to enforce the Security Interest. In those circumstances, the Trustee shall be acting as agent for the Commonwealth and shall pay regard, to the full extent the law permits, solely to the interests of the Commonwealth.

This shall also not apply to a sale by the Trustee of Sale Shares in accordance with the powers described in paragraph 5.1.15 below. In those circumstances the Trustee's sole obligation shall be to comply as quickly and fully as possible with the law or order which caused the relevant Divestiture Event to arise.

5.1.5 No Encumbrances

It is a fundamental term of each Separate Trust:

- (a) that no pledge, mortgage, charge or other encumbrance (as defined in the Deed as "**Encumbrances**") may be created, or arise or continue to exist over a Sale Share;

- (b) that no Encumbrance may be created or arise or continue to exist which could have the effect that any person acquires any right to or in respect of a Sale Share; and
- (c) that no person may acquire any right or standing before a court which could affect or make conditional the Security Interest or manner of exercise of or other dealings in relation to that Security Interest,

unless and until the Security Interest in that Sale Share has been fully satisfied. See also paragraph 5.1.14 below.

5.1.6 Payment of the Final Instalment

The Trustee shall, within 8 Business Days after the Final Instalment Payment Date (or such extended time as ASX permits), transfer the Sale Shares in respect of which Cleared Payment of the Final Instalment has been received by 5.00pm Sydney time on the 5th Business Day after but not including the Final Instalment Payment Date ("**Payment Notification Time**") to the persons who are the respective IR Holders as at the Obligor Determination Time.

In the case of Final Instalments duly paid by the Final Instalment Payment Date but where Cleared Payment is effected after Payment Notification Time, the Trustee shall as soon as practicable after receiving notice of the clearance transfer the Sale Shares to the IR Holder concerned.

5.1.7 Default Provisions

- (a) Under the Deed:

"Defaulted Shares" means those of the Sale Shares to which an IR Holder's Holding relates, in respect of which there has been a default in respect of payment of the Final Instalment and the term also includes Accretions and dividends (whether to be paid in cash or otherwise) received after the Final Instalment Payment Date and all shares allotted after the Final Instalment Payment Date in respect of reinvestments of dividends by the IR Holder pursuant to the CBA Dividend Reinvestment Plan.

an **"Unpaid Amount"** essentially means:

- (i) prior to the sale of Defaulted Shares, the Final Instalments in respect thereof;

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- (ii) after sale of Defaulted Shares, that part, if any, of the Final Instalment which remains owing to the Commonwealth after the proceeds of such sale have been applied in accordance with the Priority Order (as defined in the Deed);
 - (iii) any costs or expenses properly incurred by the Trustee in the recovery or attempted recovery of any of the moneys referred to elsewhere in this definition including without limitation, expenses associated with the giving of a Non-Payment Notice (as defined in the Deed);
 - (iv) any fees, costs or expenses (including Duties and Taxes) incurred in or about the sale or forced disposal of a Sale Share, a Defaulted Share, a Replacement Share (as defined in the Deed), a Scheme Outcome (as defined in the Deed), or a form of consideration for a compulsory acquisition (as referred to in the Deed), to the extent to which those fees, costs or expenses have not been deducted from the gross sale price; and
 - (v) any Duties and Taxes (as defined in the Deed) owed or which become, or are likely to become, owing by the relevant IR Holder.
- (b) A Defaulting Payer (as defined in the Deed to include IR Holders who default in paying the Final Instalment) must pay to the Commonwealth Interest on any Unpaid Amount from the date it fell due for payment until the date it is received by the Commonwealth through a Cleared Payment. Any Unpaid Amount of the type described in paragraphs (iii), (iv) or (v) of the definition of that expression above shall be deemed to have fallen due on the date the sum in question is paid by the Trustee.

Interest in respect of an unpaid Final Instalment shall accrue from and including the day which immediately follows the Final Instalment Payment Date.

Interest shall be calculated at the "Interest Rate" which shall mean the Call Rate plus 200 basis points (or such lesser rate as the Commonwealth determines) expressed as a rate per annum calculated on daily balances while an amount remains owing. "Call Rate" means the Official Call average 11.00am interest rate published by the Reserve Bank of Australia.

Section 5 **additional information**

The liability of a Defaulting Payer to pay Interest on the Final Instalment shall cease during the interval between the date specified for payment in a Non-Payment Notice (see below) until a sale of the Defaulted Shares by the Trustee has occurred.

If however after a default sale there remains an Unpaid Amount, then Interest shall be payable by the Defaulting Payer on that Unpaid Amount from the date of completion of the sale until that Unpaid Amount is received by the Commonwealth in the form of a Cleared Payment.

- (c) If more than one person is registered as the Holder of IRs, each such person is jointly and severally liable for the payment of the Final Instalment due in respect of the Sale Shares to which those IRs relate and for any Interest or other Unpaid Amounts if that Holding becomes a Holding in respect of Defaulted Shares.
- (d) Defaulting Payers shall be sent a non-payment notice requiring them to pay the Final Instalment in respect of the Sale Shares concerned and drawing their attention to the liability to pay Interest and the expenses referred to in paragraphs (iii), (iv) and (v) of the definition of "Unpaid Amount" above.

Such a notice shall state that if Cleared Payment is not made at the place appointed, by a specified date, such date being not earlier than 14 days after the date the notice is deemed to have been served, all of the Defaulted Shares to which the relevant Holder's IR Holding relates will be sold.

- (e) If the requirements of such a non-payment notice are not complied with by the date specified in the notice subject to the Deed and upon being given an Enforcement Direction by the Commonwealth, the Trustee shall sell all (and not some only) of the Defaulted Shares in the relevant IR Holding of a Defaulting Holder and the Trustee shall arrange the cancellation of all of the IRs to which the Defaulted Shares relate.

Omission or neglect to give or non-receipt of a non-payment notice will not invalidate in any way the Trustee's powers and duties.

- (f) In exercising its power of sale the Trustee shall prescribe the time and mode and broker (if any) for the sale, including the right to direct a postponement for the sale for so long as the Trustee in its discretion thinks fit and to effect any sale or realisation over a period of time and in lots or parcels as it considers advisable and to fix and vary reserve prices below which the Defaulted Shares may not be sold.

The Trustee shall not on any account be under any liability to the holders of a Beneficial Interest or to the Commonwealth as the holder of the Security Interest in such Defaulted Shares by reason of the Trustee not having realised any specific price or reserve in respect of any Defaulted Shares sold.

The Commonwealth may at any time prior to the sale of Defaulted Shares direct the Trustee to defer their sale. The relevant IR Holder shall not be entitled to make any claim or bring any action against the Trustee in relation to such deferral.

- (g) The proceeds of a default sale shall be applied in accordance with the following priority order:
- first, in payment or reimbursement of all costs and expenses of the type referred to in paragraph (iii) of the definition "Unpaid Amount" above relating to the Defaulted Shares concerned or the IRs to which they relate;
 - second, in payment or reimbursement of all fees and expenses of the type referred to in paragraph (iv) of the definition "Unpaid Amount" above relating to the Defaulted Shares concerned or the IRs to which they relate;
 - third, in payment or reimbursement of all Duties and Taxes referred to in paragraph (v) of the definition of "Unpaid Amount" above relating to the Defaulted Shares concerned or the IRs to which they relate;
 - fourth, in payment to the Commonwealth of the Final Instalment in respect of the Defaulted Shares concerned; and

- fifth, if there remains any balance of the proceeds, payment of the same to the Defaulting Holder (as defined in the Deed).

- (h) Notwithstanding cancellation of a Defaulting Holder's IRs and the sale or attempted sale of the Defaulted Shares to which that Defaulting Holder's IR Holding related, the Defaulting Payer is nevertheless liable to pay and will forthwith pay to the Commonwealth, the Final Instalment less, if a sale has occurred, so much of the proceeds thereof as are available, after application of the Priority Order (see paragraph (g) above) to those proceeds, to be applied in reduction of the Final Instalment.

This liability shall be in addition to any liability the Defaulting Payer may have in relation to any other Unpaid Amounts or in relation to Interest. The Trustee shall, upon being given a Commonwealth Enforcement Direction, take all necessary and appropriate action to enforce the payment of the liabilities so described, unless the Commonwealth instructs it to cease such action. The Commonwealth may also take this action itself, or appoint another person to do so in the place of the Trustee.

- (i) The Commonwealth has a first and paramount lien upon all of the Sale Shares to which an IR Holding relates and first and paramount right to receive from the net proceeds of sale of the Defaulted Shares any Unpaid Amount and Interest.

Each IR Holder irrevocably directs the Trustee that, if it defaults, the Trustee must pay to or vest in the Commonwealth all moneys and other Accretions (eg dividends or shares issued under the CBA Dividend Reinvestment Plan) which may accrue in relation to Defaulted Shares which correspond to that IR Holder's Holding and which (whenever they become due) are received after the Final Instalment Payment Date, until the Commonwealth has received the entire Unpaid Amount together with all Interest owed by that IR Holder, in relation to all its Defaulted Shares.

5.1.8 Prepayment of Final Instalment

An IR Holder may at any time on or before the last day IRs are quoted on ASX (being the 13th Business Day prior to and inclusive of the Final

Instalment Payment Date) pre-pay the total Final Instalment in respect of any or all of the Sale Shares to which that IR Holder's Holding relates.

The Trust Deed sets out a formula under which a discount (set by reference to Commonwealth Government Bonds) applies to pre-payments. The Discount Factor is defined as $(1+R)^x$ where:

"R" is the Reference Bond Yield (defined in the Deed by reference to \$10,000,000 Commonwealth Government Bonds) at the time divided by 2; and

"X" is the number of days between the Prepayment Date and the Final Instalment Payment Date, divided by 182.5.

The Trust Deed also specifies the mechanics for pre-payments and the consequences of a pre-payment (including a transfer of the Sale Shares).

5.1.9 Transmission of IRs

The Deed contains provisions under which a Legal Representative (as defined in the Deed) becoming entitled to IRs in consequence of death, bankruptcy or incapacity of any IR Holder or an IR Holder becoming an Insolvent Body Corporate or an IR Holder being subject to a Vesting Event (as defined in the Deed), may be registered as the IR Holder in respect of the IRs or may, as such Legal Representative, Transfer the IRs to a third party.

Nothing in the Deed will be taken to release the estate of a deceased IR Holder from the liability to pay the Final Instalment, Interest, any other Unpaid Amounts and any Early Sale Deficiencies.

5.1.10 Dividends

If CBA declares or pays a dividend in respect of any Sale Share (unless by way of a Bonus Issue), the Trustee shall:

- (a) in respect of a dividend wholly or partly in cash, direct CBA to pay such dividend (or the cash portion) directly to the Eligible IR Holder (ie. the IR Holder on the IR Register at the relevant record time for determining entitlements to dividends);

- (b) in respect of a dividend wholly or partly other than in cash, take Reasonable Steps to cause such dividend(or the non-cash portion) to vest in the Eligible IR Holder.

The Trustee shall in relation to any such dividend take, or direct the IR Registrar to take, all Reasonable Steps in order to confer upon the Eligible IR Holder the benefit of any franking credit, intercorporate dividend rebate or other tax benefit, to the extent such conferral is permitted by the Income Tax Assessment Act.

If the Trustee or the IR Registrar is uncertain as to whether any dividend forms part of the Security Interest or forms part of the Beneficial Interest, the Trustee shall conduct a classification of the type referred to in paragraph 5.1.11 below and treat the dividend accordingly.

Payment of any cash dividend to an Eligible IR Holder may be made to the Eligible IR Holder as if that Holder was the registered holder of the Sale Shares at the relevant time and otherwise in the same manner and by the same means as applies to holders of CBA shares.

The payment of any dividend to an Eligible IR Holder is at that Eligible IR Holder's risk. The Trustee is not responsible to any person for any neglect or default on the part of CBA in relation to any matter dealt with in respect of dividends.

The Trustee shall request the IR Registrar to use its best endeavours to make participation in the CBA Dividend Reinvestment Plan available to Eligible IR Holders.

5.1.11 Accretions

Upon becoming aware of an Accretion (as defined in the Deed) not otherwise specifically provided for in the Deed in respect of a Sale Share, the Trustee must determine whether the Accretion is:

- in the nature of an addition to or replacement of the Sale Share, in which case the Trustee is to hold such Accretion on the same trust as it is holding the Security Interest in the Sale Share; or

- in the nature of an incident of the Beneficial Interest, in which case the Trustee shall take Reasonable Steps to transfer the Accretion to the Holder of the IR to which the Sale Share relates and to the extent that this is not possible prior to the transfer of the Sale Share to the IR Holder following payment of the Final Instalment, the Trustee shall hold such Accretion on trust for the IR Holder on the same terms and conditions as it holds the Beneficial Interest.

5.1.12 Voting at CBA Meetings

At the same time and in the same manner as the CBA Registrar gives notice to registered holders of CBA shares as to the convening of a meeting of the members of CBA, the CBA Registrar shall also despatch to each IR Holder:

- notice of that meeting; and
- a blank form of Voting Direction which may be completed by an Eligible IR Holder so as to direct the Trustee as to the manner in which the Trustee should exercise, on behalf of the Eligible IR Holder (being an IR Holder on the IR Register at the relevant record time, being 10.00 pm Sydney time on the day which is 2 Business Days before the corresponding CBA record time for CBA Shareholders), the right to vote attached to the Sale Shares to which its IRs relate, in relation to all or any of the resolutions specified in the notice.

The accidental omission to give notice of any meeting or send a form of Voting Direction or the non-receipt of that notice and form by any Eligible IR Holder, will not invalidate the provisions of the clause of the Deed concerning voting.

Neither the Holding of an IR nor the determination that a person is an Eligible IR Holder shall entitle the person to attend or speak at any meeting of members (or class of members) of CBA. An IR Holder does not have any right to compel the Trustee to speak on the IR Holder's behalf at any meeting of members (or class of members) of CBA.

To be valid, a Voting Direction or Poll Direction must be in writing and appropriately signed.

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A Voting Direction or Poll Direction will be rejected if the exercise of a vote or the demand for a poll by the IR Holder in question is contrary to law, to the Listing Rules or to the order of a court.

To be effective, a Voting Direction or Poll Direction must be deposited at the IR Registry prior to the Direction Lodgement Time (being 5.00 pm Sydney time on the day which is 2 Business Days before the day fixed by CBA as the last day for Shareholders to lodge proxies).

The Trustee shall only cast a vote on any resolution in respect of Sale Shares for which a valid Voting Direction has been received.

The Trustee may appoint one or more persons as its proxy or proxies or as its Representative to attend and vote instead of the Trustee.

The Trustee shall demand a poll or join in demanding a poll at any meeting of members (or class of members) of CBA in respect of any resolution on which the Trustee may vote:

- (a) which has been carried on a show of hands and in respect of which the Trustee has been given more Voting Directions (by number of IRs) to vote against the resolution than it has been given Voting Directions (by number of IRs) to vote in favour of the resolution;
- (b) which has been lost on a show of hands and in respect of which the Trustee has been given more Voting Directions (by number of IRs) to vote in favour of the resolution than the Trustee has been given Voting Directions (by number of IRs) to vote against the resolution; or
- (c) in relation to which the Trustee has received one or more Poll Directions by IR Holders individually or collectively holding CBA Shares or indirectly holding, through IRs, Sale Shares totalling at least 10% of the CBA shares on issue at the relevant Direction Record Time.

In the case of a resolution which is to be decided by a show of hands, the Trustee shall compare (by number of IRs) the Voting Directions it has received to vote in favour of the resolution against those which it has received to vote against the resolution and shall vote for the proposition for which the Trustee has the greater number of Voting Directions (by number of IRs).

In the case of a resolution which is to be decided by a poll, the Trustee shall cast such number of votes for the resolution and such number of votes against the resolution as is determined by the tabulation. The Trustee shall cast those votes separately and the Trustee shall not net off Voting Directions it has received to vote in favour of the resolution against those which it has received to vote against the resolution.

5.1.13 IR Certificates Optional

IR Holders will be entitled to hold IRs in certificated or uncertificated form.

5.1.14 IR Register

The IR Registrar shall maintain an IR Register which shall be the only and conclusive evidence of the holding of an IR and of the Beneficial Interest evidenced by an IR.

IR Holders shall be entitled to inspect and request copies of the IR Register subject to payment of prescribed fees and providing undertakings concerning the use of information so obtained.

IR Holders must notify any change of name or change in the address of the IR Holder entered on the IR Register.

No notice of any trust (express, implied or constructive) or equity shall be entered upon the IR Register or recognised by the Trustee or the IR Registrar.

The Trustee and the IR Registrar shall not recognise or give effect to any mortgage, charge, pledge or other encumbrance (as defined in the Deed) of an IR or of the Beneficial Interest in or future right to receive, the Sale Share to which an IR relates.

A Joint Register of CBA Shareholders and IR Holders may be established. One of the prerequisites for such establishment may be the denial to Combined Holders of the right to notify different Registered Addresses, bank details, or dividend payment directions for their IR Holding than those notified for their CBA Shareholding. In those circumstances the IR Registrar is entitled to record in the IR Register those particulars relating to a Combined Holder which appear in the CBA Share Register.

5.1.15 Consequences of Divestiture Events

The Deed contains provisions concerning the consequences of "Divestiture Events", being events where as a result of application of any law or court order the Trustee is obliged to dispose of any Sale Shares.

After such a disposal the proceeds of sale are applied in accordance with a Priority Order set out in the Deed and the relevant IRs (of the relevant IR Holder to which the Sale Shares concerned relate) are cancelled. If an Early Sale Deficiency (as defined in the Deed) arises the IR Holder concerned will remain liable to pay that deficiency (ie the remaining part of the Final Instalment), within 14 days of being requested to do so, failing which the Trustee has powers to seek recovery of the Early Sale Deficiency as well as Interest and recovery costs.

If due to any Divestiture Event or an action taken by CBA or the operation of any law or court order any rights (eg. voting or dividends) attached to Sale Shares are cancelled or suspended then the Trustee has power to impose similar action on the corresponding IRs.

If certain Vesting Events (defined in the Deed) occur, the Final Instalment in respect of each Sale Share in relation to which the Vesting Event relates shall become immediately due and payable to the Commonwealth, by the IR Holder registered as at the time the finding made by the court comes into effect. The Final Installment shall bear Interest from the date it falls due until received in full by a Cleared Payment.

5.1.16 Events Concerning CBA

The Deed contains detailed provisions catering for the possibilities that, and the Trustee's obligations in the event that:

- a Takeover Bid is made for CBA (the Trustee shall not accept any such bid, shall not be obliged to communicate any information or document it may receive to any IR Holder and shall have no other obligations concerning such a bid);
- a Takeover Bid is made for IRs;
- an Entitlements Offer being made by CBA to its Shareholders (the Trustee shall have no obligation to respond to it nor, if it is renounceable, to dispose of it but the Trustee shall seek advice and

take any Reasonable Steps (see 5.1.3(i)) to confer the benefit of the Offer upon IR Holders);

- a subdivision, consolidation or reconstruction of CBA shares occurs;
- CBA reduces its capital (in certain circumstances the Trustee need take no action and in others involving return of capital the Final Instalment shall be reduced accordingly);
- CBA makes a buy-back offer for its shares (the only buy-backs capable of acceptance by the Trustee being equal access or selective buy-backs where in each case the buy-back price exceeds the Final Instalment and the IR Holder concerned directs that the offer be accepted);
- Bonus Issues by CBA or a Scheme of Arrangement (if it relates solely to the Beneficial Interest and does not impair the Security Interest the Trustee will take Reasonable Steps (see 5.1.3(i)) to transfer it to the IR Holder; otherwise it will be treated as an Accretion to the Security Interest).

Certain of these events could lead to an Early Sale (as defined in the Deed) of Sale Shares by the Trustee. In such event the proceeds of sale shall be applied in accordance with a Priority Order set out in the Deed and the relevant IRs shall be cancelled. If an Early Sale Deficiency arises then it is payable within 14 days after the date of a notice requesting its payment, failing which the Trustee has powers to seek recovery of the Early Sale Deficiency, as well as Interest and recovery costs.

5.1.17 Powers and Duties of Trustee and Limits on Liability

Except as set out in the Deed the Trustee has no powers, rights or discretions in respect of Sale Shares.

Save for any liability which the Trustee may have as a result of its gross negligence or fraud, the Trustee shall not be liable to any IR Holder to any greater extent than the value of the interest of the IR Holder under the Separate Trusts of the Sale Shares to which its IRs relate. The Deed sets out in detail limitations on the Trustee's liability to other persons.

5.1.18 Duties and Taxes

If the Trustee receives a demand or an assessment relating or referable to an IR Holder, an IR Holding or any Sale Share from a revenue or other authority, for any Duties and Taxes (as defined in the Deed), including income tax but excluding Excepted Duties for which the Commonwealth is responsible (see below), then if the Trustee is advised that it is bound to pay the same, such part of the sum to be paid as is referable to an IR or to a Sale Share to which an IR relates shall be payable by the IR Holder registered in the IR Register in respect of that IR to the Trustee upon demand.

Unless payment is received by the Trustee in the manner and within the period prescribed by a notice given to the IR Holder under the Deed then, upon expiry of that period, the Trustee shall be entitled to take all necessary and appropriate action to recover as a debt due from the IR Holder the amount of any such sum and the Trustee may sell all or any of the Sale Shares to which the IR Holding in question relates and the proceeds of sale shall be applied in accordance with a Priority Order set out in the Deed and the IRs concerned shall be cancelled.

5.1.19 Funding of Trustee

Save for those specific provisions of the Deed which authorise the Trustee to recoup from the trust fund of a Separate Trust, Unpaid Amounts outlaid by the Trustee in relation to that Trust, the Trustee's sole right of recoupment, indemnity or recourse lies against the Commonwealth as part of the Commonwealth Commitment (as defined in the Deed).

The Trustee shall be entitled to the indemnities, from the Commonwealth alone, described in the Deed.

The Trustee shall be entitled to require payment on behalf of the Trustee, in accordance with the Deed, by the Commonwealth alone, of all disbursements, expenses and outgoings reasonably and properly incurred by the Trustee or on its behalf in performing the Trustee's functions under the Deed, including the particular examples set out in the Deed.

The Commonwealth will be responsible for all Excepted Duties assessed in respect of the Separate Trusts or the Sale Shares to which the IRs comprised in the Holding of that IR Holder relate.

“Excepted Duties” means stamp duties on the transfer of the Sale Shares from the Commonwealth to the Trustee, from the Trustee to an IR Holder after the Final Instalment Payment Date or after a prepayment of the Final Instalment and on the initial constitution of a Separate Trust.

5.1.20 Amendments to Deed

The Commonwealth and the Trustee may by supplemental deed amend, modify, add to or delete from (“**modify**”) any of the provisions of the Deed (whether affecting all or only some of the Separate Trusts) in a broad range of circumstances specified in the Deed.

No modification of the Deed, however, may:

- impair the rights of any IR Holder, on payment of the Final Instalment, to receive a transfer of the Sale Shares to which its IRs relate and, pending such transfer, to enjoy the Beneficial Interest in respect of such Sale Shares; nor
- save to the extent that results from a modification arising from an event, transaction or resolution by or concerning CBA, abrogate any right which any such IR Holder would otherwise have to receive the dividends declared in respect of the Sale Shares to which the IR Holder’s IRs relate.

5.1.21 Governing Law and Jurisdiction

The Deed (and all Transfers, Deeds of Acknowledgement and Transmission Elections) is governed by the law of the Australian Capital Territory. The courts of the Australian Capital Territory shall have non-exclusive jurisdiction to settle any Subject Proceeding (as defined in the Deed) and each IR Holder submits to the non-exclusive jurisdiction of those courts.

Each IR Holder irrevocably waives any immunity in respect of obligations under the terms of the Deed that it may now have or may at any future time acquire from the jurisdiction of any court or any legal or arbitration process for any reason.

Nothing in the Deed, however, limits the right of the Commonwealth, the Trustee or a Replacement Entity to take Subject Proceedings against an IR Holder in any other manner permitted by law or in any other court of

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competent jurisdiction nor shall the taking of Subject Proceedings in one or more jurisdictions preclude the taking of Subject Proceedings in any other jurisdiction, whether concurrently or not.

5.1.22 Obligation of IR Holders to Provide Information

An IR Holder shall provide such information as the Trustee may request as required by law, and on request by the IR Registrar, provide the IR Registrar with details of any holding it has of CBA shares.

5.1.23 Replacement of Trustee and Replacement Entities

The Commonwealth may replace the Trustee with another wholly-owned Commonwealth entity. The Commonwealth may also appoint Replacement Entities to perform recovery functions.

5.1.24 Acknowledgments by IR Holders

Each IR Holder acknowledges and accepts that its IR Holding will be aggregated with any holding it may have, or come to have, of CBA shares, for the purpose of a determination or determinations by CBA, the CBA Registrar, the Trustee or the IR Registrar as to:

- whether or not a Divestiture Event has occurred;
- whether an IR Holder has a substantial shareholding in CBA within the meaning of section 708 of the Corporations Law;
- whether an IR Holder has a “relevant interest” within the meaning of section 9 of the Corporations Law or an “entitlement” within the meaning of section 609 of the Corporations Law, in respect of CBA shares; and
- any “rounding-up” or “rounding-down” of entitlements under the CBA Dividend Reinvestment Plan or any CBA Share Investment Plan while ever it has elected to participate in either the CBA Dividend Reinvestment Plan or any CBA Share Investment Plan in respect of both CBA shares and IRs.

5.1.25 American Depositary Receipts (ADRs) and Depositary Trust Company (DTC) nominee arrangements

The Deed contains detailed provisions concerning ADRs and DTC nominee arrangements. Many of the provisions summarised above read differently in their application to ADRs and there are other provisions from those mentioned above which only apply to ADRs or DTC nominee arrangements. For example, in respect of ADRs, the obligation to pay the Final Instalment is generally imposed on an Interim ADR Holder and not upon the Custodian in whose name the relevant IRs are registered.

5.1.26 Memorandum of Understanding

A Memorandum of Understanding has been agreed between the Commonwealth, the Trustee and the Commonwealth Bank in respect of administrative arrangements which will apply to IR Holdings. These administrative arrangements include the following:

- direct payment of dividends to IR Holders;
- direct participation in the Commonwealth Bank DRP;
- direct sending to IR Holders of any financial statements, reports and notices which are sent to Bank shareholders;
- direct pass through of entitlement offers and other benefits attributable solely to the Beneficial Interest;
- right to attend meetings; and
- conduct of the Instalment Receipt registry in conjunction with the Commonwealth Bank's share registry.

5.2

The Commonwealth Bank Sale Act 1995

Summary

On 27 November 1995, the Commonwealth Bank Sale Act 1995 (the "Act") was passed by Parliament to allow for the sale of the Commonwealth's remaining 50.4 per cent shareholding in the Commonwealth Bank to be effected.

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The Commonwealth Bank Sale Act 1995 provides for the following:

- Amendments to the Commonwealth Banks Act 1959 to facilitate the sale of the Commonwealth's shares in the Commonwealth Bank.
- Detailed transitional arrangements for the Commonwealth's guarantee of the liabilities of the Commonwealth Bank and the Commonwealth Bank Officers Superannuation Corporation (or the superannuation fund) and an on-going Commonwealth guarantee of the liabilities of the Commonwealth Development Bank.
- The conversion of the Commonwealth Development Bank and the Commonwealth Bank Officers Superannuation Corporation from statutory authorities into Corporations Law companies and for the conversion of the statutory superannuation fund of the Commonwealth Bank Officers Superannuation Corporation to a trust.
- The Commonwealth Bank body (which includes the Commonwealth Bank and its subsidiaries) to be, as far as practicable, subject to legislation consistent with other private sector companies and approved banks under the Banking Act 1959 and the Corporations Law.
- The Commonwealth Bank body and its shareholders are not to be disadvantaged under section 63A of the Income Tax Assessment Act 1936 as a result of the change in ownership resulting from the sale of the Commonwealth's shares in the Commonwealth Bank.
- The Commonwealth Bank and the Commonwealth Development Bank to have a ten year transitional arrangement regarding various protected business names which were formerly contained in the Commonwealth Banks Act 1959.
- The retention, post sale, of employee entitlements accrued in pre sale service under the Safety, Rehabilitation and Compensation Act 1988 and the Defence Force Retirement and Death Benefits Act 1973.
- The necessary consequential amendments to various Commonwealth Acts which refer to the Commonwealth Bank bodies which will no longer be applicable when the Commonwealth's shareholding falls below 50 per cent.

Income Tax Deduction for Bad Debts

The Commonwealth Bank Sale Act 1995 provides an exemption from the possible application of Section 63A of the Income Tax Assessment Act 1936 relating to the deductibility of losses on bad debts. Section 63A, which contains a continuity of ownership test, (ie unless other requirements are satisfied, a deduction for a bad debt written off by a company will only be allowed if the majority of the shares in the company were beneficially owned by the same shareholders who beneficially owned the majority of shares at all times during the year the bad debt was incurred), will be deemed not to apply to the disposal of the Commonwealth's shareholding in the Commonwealth Bank.

This exemption applies irrespective of whether the sale is structured in such a way that an intermediary or intermediaries are interposed between the Commonwealth as seller and the buyers of the Commonwealth's shares.

The exemption will not apply to any subsequent change of ownership of the Commonwealth Bank or to any previous or concurrent change in ownership of the Commonwealth Bank, the Commonwealth Development Bank or the Commonwealth Bank Officers Superannuation Corporation or a body corporate that is a subsidiary of the Commonwealth Bank which is caused other than by disposal of the Commonwealth's shareholding in the Commonwealth Bank.

Guarantee Arrangements

The payment of all monies owed by the Commonwealth Bank, the Commonwealth Development Bank and the Commonwealth Bank Officers Superannuation Corporation is currently guaranteed by the Commonwealth under Section 117 of the Commonwealth Banks Act 1959. This guarantee will be progressively removed once the Commonwealth's shareholding falls below 50 per cent.

The transitional arrangements for phasing out the Commonwealth guarantee are contained in the Commonwealth Bank Sale Act 1995.

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The Commonwealth will continue to guarantee:

- the due payment of any amount that is payable by the Commonwealth Bank on a demand deposit for three years from the date at which the Commonwealth's shareholding falls below 50 per cent of the total number of Commonwealth Bank shares on issue (the "Effective Date");
- the due payment of any amount that is payable by the Commonwealth Bank on a term deposit, until maturity, outstanding at the Effective Date or made during the three years following the Effective Date;
- the liabilities of the Commonwealth Bank Officers Superannuation Corporation (or the superannuation fund) for a person who was a member, retired member or beneficiary before the commencement of the relevant provisions of the Act; and
- all other liabilities and off-balance sheet obligations, until maturity, outstanding at the Effective Date.

Under the terms of an agreement reached between the Commonwealth and the Commonwealth Bank, the Commonwealth Bank will report to the Commonwealth annually on the level and maturity profile of outstanding liabilities which are subject to the Commonwealth's guarantee. The agreement also includes an undertaking from the Commonwealth Bank that it will not seek to extend the maturity profile of its deposit liabilities beyond that required in the normal course of business during the three years following the Effective Date.

5.3

The Commonwealth Development Bank

The Commonwealth Development Bank operates under a Charter to provide debt and equity finance to small business, including primary producers. In terms of its Charter the Commonwealth Development Bank provides finance where at least some of that finance would not otherwise be available on reasonable and suitable terms and conditions, having regard primarily to cash flow and prospects rather than security.

The Australian Government and the Commonwealth Bank have announced that:

- the Commonwealth Bank will buy the Commonwealth's 8.1 per cent shareholding in the Commonwealth Development Bank for \$12.5 million on or as soon as practicable after 1 July 1996;
- the existing charter will cease from 1 July 1996 and the future new Commonwealth Development Bank brand name business will be conducted as part of the Commonwealth Bank;
- the liabilities of the Commonwealth Development Bank as at the Effective Date will be guaranteed to maturity; and
- the current subsidy of \$20 million per annum will no longer be paid to the Commonwealth Development Bank.

5.4

Regulation and supervision of banking in Australia

The Banking Act 1959 and the Banks (Shareholdings) Act 1972 govern banking in Australia together with the prudential supervision guidelines administered by the Reserve Bank. These guidelines have been developed to reflect the important role of banks within the Australian economy and to ensure the stability of the banking system.

Banks, other than State banks (which operate under specific State legislation), require an authority in terms of the Banking Act 1959. Applications for an authority to carry on banking business in Australia are made to the Commonwealth Treasurer and are assessed against banking and prudential policy requirements.

The Commonwealth Bank was granted a separate banking authority under Section 9 of the Banking Act 1959 (Authority to Carry on Banking Business) on 29 February 1996. The Commonwealth Bank was previously subject to the Banking Act 1959 because it was included within the definition of "bank" under Section 5 of the Banking Act 1959. Under Section 9, the Commonwealth Bank is subject to the Banking Act 1959 in the same way as other authorised banks.

The Banking Act 1959 and the Reserve Bank Act 1959 empower the Reserve Bank to regulate the operations of authorised banks in Australia, including the Commonwealth Bank. The measures adopted include a range of regulatory and prudential requirements.

Restrictions on Shareholdings

The Banks (Shareholdings) Act 1972 limits the proportion of voting shares which an individual or associated person can hold in a bank. The Banks (Shareholdings) Act 1972 prevents any person from having an interest in excess of 10 per cent of all the voting shares in that bank. An application may be made to the Commonwealth Treasurer to permit a person to hold up to 15 per cent of all the voting shares of a bank. The Treasurer is required to approve such an application unless the Treasurer is satisfied that to approve the application would not be in the national interest.

The Governor-General may, after application is made to the Treasurer, grant an exemption to increase the shareholding limit above 15 per cent provided the Governor General is satisfied it is in the national interest to do so. An application under Section 10 (4) of the Banks (Shareholdings) Act 1972 has been made to the Treasurer for the Trustee to hold the legal interest in the Sale Shares pending receipt of the Final Instalment.

For the purposes of the Banks (Shareholdings) Act 1972, a person will be deemed to have an interest in shares held by associates of that person. A person is held to be an associate of another if:

- (a) the first person is a corporation and the other person is an officer of the corporation;
- (b) the first person is a partner of the other person;
- (c) the first person is a corporation and the other person, whether or not a corporation, is in a position to control that corporation;
- (d) both persons are corporations and a person, whether a corporation or not, is in a position to control each of the corporations;
- (e) each person is a member of a voting trust and the trust relates to shares in the bank; or

(f) they are an associate of an associate of that person.

Previously, any person (other than the Commonwealth) could not hold more than a 5 per cent shareholding in the Commonwealth Bank.

Following amendments to the Banks (Shareholdings) Act 1972, the Commonwealth Bank and the Commonwealth Development Bank are subject to the same shareholding limitations as other authorised banks. Further, other banks will no longer be precluded from owning shares in the Commonwealth Bank.

In addition to the restrictions under the Banks (Shareholdings) Act 1972, there are acquisition restrictions under the Foreign Acquisitions and Takeovers Act 1975. The acquisition of 15 per cent or more of the shares in a bank by a "foreign person", as defined in the Foreign Acquisitions and Takeovers Act 1975, must be notified to the Treasurer.

Depositor Protection

The Reserve Bank is required under the Banking Act 1959 to protect Australian depositors. The Banking Act 1959 provides that the assets of a bank in Australia shall be available to meet its deposit liabilities in Australia in priority to all its other liabilities. The Reserve Bank has the power to require the supply of information, assume control of a bank in financial difficulties and impose prudential requirements upon banks for the protection of depositors of banks authorised under the Banking Act 1959 to carry on banking business.

Financial System Inquiry

The Australian Government has announced an inquiry into the Australian financial system. The inquiry will provide an evaluation of the results arising from the financial deregulation of the Australian financial system since the early 1980s. The forces driving further change, such as technological development, will be analysed. The inquiry will make recommendations on the nature of regulatory arrangements aimed at developing an efficient, responsive, competitive and flexible financial system consistent with financial stability, prudence, integrity and fairness. The inquiry is due to report to the Treasurer by 31 March 1997.

5.5

ASC Exemptions and Modifications

To facilitate this Offer certain modifications to, and exemptions from, the Corporations Law have been obtained. The key features of the modifications and exemptions are as follows:

Share hawking

The ASC has granted an exemption from Section 1078 of the Corporations Law to certain persons who:

- (a) communicate with others in relation to the Offer;
- (b) publish notices which call attention to the Offer; or
- (c) publish reports which are reasonably likely to induce Applications, to allow the
- (d) making of the Offer in certain documents or by certain advertisements published in publications, which are sent by post, courier or otherwise made available for collection in branches of the Bank or offices of licensed dealers and investment advisers;
- (e) making of the Offer by certain documents made available on the Internet or on a floppy disc or CD Rom;
- (f) broadcasting advertisements of the Offer by radio or television;
- (g) sending of invitations to, and the making of the Offer at, the function launching the Offer and certain roadshows; and
- (h) making the Offer in specified circumstances in response to enquiries at the Telephone Information Centre.

The ASC also granted an exemption from Section 1078 of the Corporations Law to allow holders of investment advisers licenses and the Bank to send a specified letter to certain potential investors to enable them to register their interest in obtaining a copy of this Offer Document.

Continuous Disclosure

The ASC has:

- (a) exempted the Bank from compliance with Section 1001A of the Corporations Law in relation to the continuous disclosure obligations in respect of price sensitive information concerning Instalment Receipts, on condition that:
 - (b) the Trustee gives and complies with an undertaking to the ASC to comply with those continuous disclosure obligations (except where the information concerning Instalment Receipts is price sensitive only because it is price sensitive information concerning issued ordinary shares of the Bank).

Transfers

The ASC has pursuant to Section 1113(6) of the Corporations Law modified the application of Divisions 2 and 3 of Part 7.13 of the Corporations Law by:

- (a) defining the Trustee as the issuing body of Instalment Receipts; and
- (b) deeming transferees of Instalment Receipts to have agreed to have accepted Instalment Receipts subject to the terms and conditions of the Trust Deed.

Takeovers

The ASC has pursuant to Section 728(1) of the Corporations Law exempted the Trustee from compliance with Chapter 6 of the Corporations Law in relation to any and all acquisitions of shares, or relevant interests in shares, in the Bank:

- (a) resulting from, or in the performance of, the Trust Deed; or
- (b) where the shares concerned are held by, disposed of, or otherwise dealt with by or on behalf of the Trustee in accordance with the Trust Deed.

IR Holders remain subject to the provisions of Chapter 6 of the Corporations Law.

5.6 Offering Restrictions

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

The distribution of this Offer Document and the attached or accompanying Application forms in jurisdictions outside the Commonwealth of Australia and to persons who are citizens or residents of jurisdictions outside the Commonwealth of Australia may be restricted by law. As a consequence, persons into whose possession this document comes are required to inform themselves of and observe any such restrictions that are applicable to them. Any failure to comply with these restrictions may constitute a violation of securities laws.

The Commonwealth of Australia has prepared an international offering memorandum offering Sale Shares in certain jurisdictions outside Australia (including the United States). Copies of that international offering memorandum will be provided to persons to which an offer is made outside Australia. The international offering memorandum contains additional and different information from that which is contained in this Offer Document. The differences take account of market practice and the laws of other jurisdictions where the Offer is being made and recognises that readers in those jurisdictions may not be aware of information which is publicly available to Australian readers. A copy of the international offering memorandum has also been lodged with the ASX. The Sale Shares have not been, and will not be, registered under the United States Securities Act of 1933, and subject to certain exceptions, may not be offered or sold in the United States or to United States persons. Accordingly, neither this Offer Document nor the attached or accompanying Application forms may be sent into or distributed in the United States.

5.7 Further information concerning The Commonwealth Bank

Disclosure Requirements

The Commonwealth Bank is a public company, with its shares quoted on the ASX. As a public company, the Commonwealth Bank is required to comply with the periodic reporting and continuous disclosure obligations imposed by the Corporations Law. As a listed company, the Commonwealth Bank is also required to comply with the periodic disclosure and continuous disclosure obligations imposed by the ASX. In

particular, pursuant to Listing Rule 3A(1) of the Listing Rules of the ASX, the Commonwealth Bank is under an obligation to immediately notify the ASX of any information concerning the Commonwealth Bank of which it is or becomes aware and which a reasonable person would expect would have a material effect on the price or value of securities of the Commonwealth Bank. This requirement is subject to a confidentiality exception where a reasonable person would not expect the information to be disclosed, the information is confidential and certain conditions apply. For example disclosure would not be required if it would be a breach of law to make disclosure, if the information is about an incomplete proposal, or negotiation, or the information comprises matters of supposition, or is insufficiently definite to warrant disclosure, or the information is generated for internal management purposes or the information is a trade secret.

Potential investors and their professional advisers may obtain copies of information released by the Commonwealth Bank pursuant to its periodic disclosure and continuous disclosure obligations under the Corporations Law and the Listing Rules of the ASX by reviewing the public files available at the ASC and ASX.

The Commonwealth believes that the most significant recent information released by the Commonwealth Bank concerning its financial position is as follows:

- Annual Report and Financial Statements for the Year Ended 30 June 1995;
- Profit Announcement for the Half Year Ended 31 December 1995 released 19 February 1996;
- Notice of General Meeting, Explanatory Memorandum and Independent Expert's Report dated 19 April 1996; and
- Statement to the ASX on 31 May 1996 announcing changes to home loan rates and outlook for earnings in 1996/97.

Copies of the above documents may be obtained by reviewing the public files available at the ASC and ASX.

While certain public information concerning the Commonwealth Bank has been provided in this Offer Document for the convenience of potential investors, this Offer Document does not purport to provide the type of information concerning the Commonwealth Bank that would be contained in a prospectus, or that would be required by a reasonable investor concerning the assets and liabilities, financial position, profits and losses and prospects of the Commonwealth Bank.

Intending investors should conduct their own investigation and make their own assessment of the assets and liabilities, financial position, profits and losses and prospects of the Commonwealth Bank by referring to the full range of publicly available information on the Commonwealth Bank and by seeking appropriate professional advice in deciding whether or not to invest in the Sale Shares.

Board Membership

The Commonwealth Treasurer is, under the Commonwealth Banks Act 1959, represented on the Commonwealth Bank's Board of Directors by the Secretary of the Treasury (the "Secretary"). The Secretary will cease to be a member of the Commonwealth Bank's Board once the Commonwealth's shareholding falls below 50 per cent. Statutory confidentiality applies to the information which he receives in that capacity.

Amendments to the Commonwealth Bank's Memorandum and Articles of Association

The Commonwealth Bank obtained shareholder approval on 14 May 1996 to amend its Memorandum and Articles of Association to remove all provisions that had the effect of conferring special powers upon the Commonwealth. These amendments remove all references to the Commonwealth Banks Act 1959 (including the Commonwealth's minimum shareholding and representation on the Board of Directors), and to the need for the Commonwealth Treasurer's consent for certain decisions. These amendments take effect once the Commonwealth's shareholding falls below 50 per cent.

Indemnity provided to Commonwealth Bank

The Commonwealth has provided an indemnity to the Commonwealth Bank, its directors and certain nominated officers (the "indemnified persons") to meet the Commonwealth Bank's concerns that it should not be seen to favour one shareholder over others and in particular, to ensure that these indemnified persons do not have any exposure to liability from the Corporations Law governing:

- the provision of financial assistance by a company for the acquisition of its shares (Section 205 of the Corporations Law); and
- related party transactions involving the provision of a financial benefit by the Bank to a related party (ie the Commonwealth).

The indemnity covers the civil liability of these indemnified persons for providing the assistance to the Commonwealth but does not apply in the event of bad faith, fraud or gross negligence on the part of the indemnified persons. It also provides for the Commonwealth to re-imburse the indemnified persons for all their costs and expenses of doing so. The provision of such an indemnity and re-imburement arrangements by the Commonwealth is in part designed to address the abovementioned Corporations Law concerns.

The Commonwealth has requested the Commonwealth Bank to provide assistance with the Commonwealth's Offer as follows:

- (a) making available to the Commonwealth and its advisers certain key Bank management for interviews and discussions based upon a series of questions relating to the Commonwealth Bank's business and operations with the discussions being modelled on the form of due diligence inquiries typically conducted for an offer of this nature into the US market;
- (b) participation by Commonwealth Bank directors and nominated senior management at the Commonwealth's request in certain marketing activities organised by the Commonwealth to coincide with the Offer including participation in pre-marketing activities, broker presentations and domestic and international roadshows;

- (c) reviewing the "Discussion & Analysis" and "Business" sections of the international offering memorandum by reference to publicly available information and from normal management communication of information within the Commonwealth Bank and the provision of a statement by the Commonwealth Bank's Chief Financial Officer to the Commonwealth to the effect that the sections do not contain any false or misleading statements of a material fact nor do they fail to state any material fact that makes the statements made in the document, in the light of the circumstances in which they are made, otherwise misleading;
- (d) assisting the Commonwealth, as outlined in the MOU referred to in Section 5.1.26 of this Offer Document, with the administrative arrangements which apply to Instalment Receipt holdings; and
- (e) the provision by the Commonwealth Bank of confirmation that the Commonwealth Bank is required to comply, and does comply, with the continuous disclosure requirements of the ASX (Listing Rule 3A(1)).

The Commonwealth Bank has agreed to provide the assistance requested by the Commonwealth unless the directors of the Commonwealth Bank consider that it is not in its best interests to do so. Where the Bank is disinclined to provide the assistance sought, it has agreed to consult the Commonwealth and, in making its decision as to whether or not to provide the assistance, to consider the reasonable sale objectives of the Commonwealth. At the time of preparing this Offer Document, the Commonwealth Bank has not advised the Commonwealth that it is disinclined to provide the assistance sought.

Agreements with the Commonwealth in relation to loan capital

The Commonwealth Bank has entered into separate agreements with the Commonwealth relating to certain securities which qualify the issues as Tier 1 capital.

The agreements provide that, upon the occurrence of certain events listed below, the Commonwealth Bank will issue either fully paid ordinary shares to the Commonwealth or (with the consent of the Commonwealth) rights to all shareholders to subscribe for fully paid ordinary shares up to an amount equal to the outstanding principal value of the relevant

note issue or issues plus any interest paid in respect of the notes for the most recent financial year and accrued interest. The issue price of such shares will be determined by reference to the prevailing market price for Commonwealth Bank shares.

Any one or more of the following events will trigger the issue of shares to the Commonwealth or a rights issue:

- a relevant event of default (discussed below) occurs in respect of a note issue and the trustee of the relevant notes gives notice to the Commonwealth Bank that the notes are immediately due and payable;
- the most recent audited annual financial statements of the Commonwealth Bank show a loss (as defined in the agreements);
- the Commonwealth Bank does not declare a dividend in respect of its ordinary shares;
- the Commonwealth Bank, if required by the Commonwealth and subject to the agreement of the Reserve Bank of Australia, exercises its option to redeem a note issue; or
- in respect of undated floating rate notes (FRNs) which have been exchanged to dated FRNs, the dated FRNs mature.

Any payment made by the Commonwealth pursuant to its guarantee in respect of the relevant notes will trigger the issue of shares to the Commonwealth of Australia to the value of such payment. The relevant events of default differ depending on the relevant agreement. In summary, they cover events such as failure of the Commonwealth Bank to meet its monetary obligations in respect of the relevant notes; the insolvency of the Commonwealth Bank; any law being passed to dissolve the Commonwealth Bank or the Commonwealth Bank ceasing to carry on general banking business in Australia; and the loss of the Commonwealth guarantee in respect of the relevant notes. The Commonwealth Bank has entered into separate agreements with the Commonwealth relating to certain securities which qualify the issues as Tier 2 capital.

These agreements provide for the Commonwealth Bank to issue either fully paid ordinary shares to the Commonwealth of Australia or rights to all shareholders to subscribe for fully paid ordinary shares on the occurrence of any one or both of the following events:

- a relevant event of default occurs in respect of a note issue and, where applicable, the trustee of the relevant notes gives notice of such to the Commonwealth Bank; or
- the Commonwealth Bank, if required by the Commonwealth and subject to the agreement of the Reserve Bank of Australia, exercises its option to redeem such issue.

Any payment made by the Commonwealth of Australia pursuant to its guarantee in respect of the relevant issue will trigger the issue of shares to the Commonwealth to the value of such payment.

5.8

Fees and commissions

The Joint Lead Managers, will be paid a total management fee of \$1.5 million to be divided equally between them. Each Co-Lead Manager will be paid a fee of \$100,000. Each Co-Manager (Australia) will be paid a fee of \$10,000.

The Commonwealth will pay a brokerage fee of 1.0 per cent to members of the ASX for Sale Shares allocated pursuant to Applications lodged by them and bearing their stamp, excluding Applications under the Shareholder Entitlement Offer, the Institutional Offer or relating to a firm allocation of Sale Shares to that member. In the case of firm allocations, a fee of 1.5 per cent will be paid to members of the ASX.

In respect of Applications under the Shareholder Entitlement Offer, a fee of 0.75 percent will be paid to members of the ASX for Sale Shares allocated pursuant to Shareholder Entitlement Applications lodged by them and bearing their stamp. The maximum fee per Shareholder Entitlement Application is set at the fee payable on an Application for 20,000 Sale Shares.

Commissions will be payable to the Joint Lead Managers and Co-Lead Managers in respect of Sale Shares allocated to institutions under the Institutional Offer. In respect of Sale Shares allocated to domestic

institutions, the Domestic Syndicate will be paid collectively a commission of 0.5 per cent. In respect of Sale Shares allocated to foreign institutions, the Joint Lead Managers, Co-Lead Managers (Australia) and Co-Lead Managers (International) will be paid collectively a commission of 1.5 per cent. A commission of 0.5 per cent will be paid to members of the ASX in respect of Sale Shares allocated to their bids in the Institutional Offer.

The commission payments set out above will be calculated by applying the percentage commission to the value per Sale Share determined by the aggregate of the First Instalment payment and present value of the Final Instalment payment. The present value of the Final Instalment will be calculated by discounting the payment at the Commonwealth bond yield for the period expiring on the date on which the Final Instalment is due plus 20 basis points.

5.9

Responsibility for Offer Document

This Offer Document is the responsibility of the Commonwealth.

The Commonwealth Bank has not been involved in the preparation of this Offer Document and the Commonwealth Bank has not authorised or caused the issue of this Offer Document. The Commonwealth Bank has advised the Government that it will not accept responsibility for the information contained in this Offer Document. The Commonwealth Bank has declined to provide any material non publicly available information to the Commonwealth for the purpose of this Offer in relation to the assets and liabilities, financial position, profits and losses and prospects of the Commonwealth Bank.

Were Stockbroking Limited (trading as J.B. Were & Son), County NatWest Securities Australia Limited, and CS First Boston Australia Limited (trading as CS First Boston) have been involved in the preparation of this Offer Document but do not accept responsibility for this Offer Document, have not authorised its issue and disclaim all liability relating to any part of this Offer Document.

Salomon Brothers Inc has not been involved in the preparation of this Offer Document, does not accept any responsibility for this Offer Document, has not authorised its issue and disclaims all liability relating to any part of this Offer Document.

Section 5 **additional information**

The Co-Lead Managers (Macquarie Underwriting Limited, McIntosh Corporate Limited, Ord Minnett Corporate Finance Limited, ABN AMRO Australia Hoare Govett Limited, Cazenove & Co. and Daiwa Securities Australia Limited) have not been involved in the preparation of this Offer Document, do not accept any responsibility for this Offer Document, have not authorised its issue and disclaim all liability relating to any part of this Offer Document.

The Co-Managers (E.L. and C. Baillieu Limited, Commonwealth Securities Limited, Day Cutten Limited, Dicksons Limited, Hartley Poynton Limited, HSBC James Capel Australia Limited, Morgan Stockbroking Limited, Wilson HTM Limited) have not been involved in the preparation of this Offer Document, do not accept any responsibility for this Offer Document, have not authorised its issue and disclaim all liability relating to any part of this Offer Document.

Bain & Company Corporate Finance Limited (business adviser to the Commonwealth) has been involved in the preparation of this Offer Document but does not accept responsibility for this Offer Document, has not authorised its issue and disclaims all liability relating to any part of this Offer Document.

The Australian Government Solicitor (legal adviser to the Commonwealth) and Coudert Brothers (international legal adviser to the Commonwealth) have been involved in the preparation of this Offer Document but do not accept any responsibility for this Offer Document, have not authorised its issue and disclaim all liability relating to any part of this Offer Document.

Clayton Utz (legal adviser to the Commonwealth) has prepared and accepts responsibility for the first paragraph of section 2.10 and the whole of sections 5.1.1 to 5.1.25 (inclusive) and 5.5. Clayton Utz has not prepared and does not accept responsibility for any other part of this Offer Document and disclaims all liability relating to any such part of this Offer Document. Clayton Utz has not authorised the issue of this Offer Document.

Mallesons Stephen Jaques (Australian legal adviser to the Lead Managers) has been involved in the preparation of this Offer Document

but does not accept any responsibility for this Offer Document, has not authorised its issue and disclaims all liability relating to any part of this Offer Document.

Coopers & Lybrand has not been involved in the preparation of this Offer Document, does not accept any responsibility for this Offer Document, has not authorised its issue and disclaims all liability relating to any part of this Offer Document.

Commonwealth Instalment Receipt Trustee Limited has not been involved in the preparation of this Offer Document, does not accept any responsibility for this Offer Document, has not authorised its issue and disclaims all liability relating to any part of this Offer Document.

None of the Commonwealth, the Managers or any of the advisers to the Commonwealth named above accepts any responsibility for any public information released by the Commonwealth Bank, have not authorised the release of any such information and disclaim all liability relating to any part of such information (including as to the correctness, accuracy or completeness of that information). That disclaimer of responsibility and liability extends to all of the information released by the Commonwealth Bank that is included in this Offer Document for the convenience of potential investors (other than the Extracts from the report of KPMG Corporate Finance dated 10 April 1996 for which the Commonwealth alone accepts full responsibility). It is the responsibility of potential investors to form their own view of the Commonwealth Bank and the public information that is available concerning the Commonwealth Bank.

In consideration of the consent by KPMG Corporate Finance to the inclusion of Extracts from its Independent Expert's Report dated 10 April 1996 in this Offer Document, the Commonwealth has provided to KPMG Corporate Finance and others an indemnity against all civil liability arising in relation to the inclusion of the Extracts in the Offer Document and the preparation and execution of the Offer Document. The Commonwealth has agreed to pay all reasonable legal defence costs and expenses in relation to any civil, statutory, administrative or criminal proceedings to which KPMG Corporate Finance becomes a party as a result of the inclusion of the Extracts in the Offer Document. The indemnity does not apply unless KPMG Corporate Finance acted in good

faith, and without malice, fraud or recklessness but will apply if KPMG Corporate Finance acted negligently or with gross or culpable negligence.

KPMG Corporate Finance has not been involved in the preparation of this Offer Document, does not accept any responsibility for this Offer Document, has not authorised its issue and disclaims all liability relating to any part of this Offer Document.

The fact that the ASX may admit the Trustee to its official list and grant quotation to the Instalment Receipts must not be taken in any way as an indication of the merits of the Trustee or the Instalment Receipts. The ASX takes no responsibility for the contents of this Offer Document.

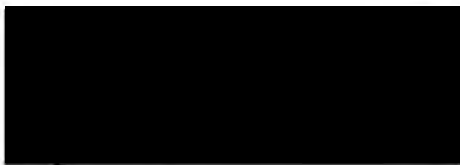
A supplementary information memorandum will be issued to ASX if the Trustee becomes aware of any of the following between the issue of this Offer Document and the date the Instalment Receipts are quoted:

- a material statement in the Offer Document is false or misleading
- there is a material omission from the Offer Document
- there has been a significant change affecting a matter included in the Offer Document
- a significant new matter has arisen and it would have been required to be included the Offer Document.

5.10

Authorisation

The Commonwealth has authorised the issue of this Offer Document and it is signed for and on behalf of the Commonwealth by:



JOHN FAHEY

Minister for Finance

Glossary

Term	Meaning
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Acceptance or Accept	acceptance by the Commonwealth of an offer contained in an Application form such acceptance occurring upon, consisting of, and being conclusively evidenced by, the notation by the Minister (or by the Minister's delegate appointed for that purpose) of an allocation schedule, to which is attached a list of successful Applicants and particulars of the Sale Shares in respect of which each successful Applicant's offer to purchase has been accepted by the Commonwealth
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Applicant	a person who submits an application
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Application	a valid application comprising an offer to purchase a specified number of Sale Shares
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ASC	Australian Securities Commission
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ASX	Australian Stock Exchange Limited
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Australian Government	the Government of the Commonwealth of Australia
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Bank or Commonwealth Bank	Commonwealth Bank of Australia (ACN 123 123 124)
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Beneficial Interest	the rights and obligations attaching to the Sale Shares other than those covered by the Security Interest
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Business Day	a day other than Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day or any other day which the ASX declares is not a business day
---------------------	--

Buy-back Agreement	the agreement dated 9 April 1996 between the Commonwealth and the Commonwealth Bank relating to the buy-back of 100 million shares
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CGT	Capital gains tax under the Income Tax Assessment Act 1936
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CHESS	Clearing House Electronic Sub-Register System
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Commonwealth	Commonwealth of Australia
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Dollars or \$	Australian dollars
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Section 5 **additional information**

DRP	Dividend Reinvestment Plan
Encumbrance	any mortgage or similar arrangement as defined in the Trust Deed
Entitlement	the entitlement of certain shareholders of the Commonwealth Bank to offer to purchase Sale Shares under the Shareholder Entitlement Offer
Final Instalment	the outstanding balance of the purchase price for the Sale Shares which is due to be paid on or before 14 November 1997 and following payment of which registered title of the Sale Shares will be transferred from the Trustee to the Instalment Receipt holder
Final Instalment Payment Date	the date by which payment of the Final Instalment is due, being 14 November 1997
Final Price	the purchase price of each Sale Share (payable in two instalments)
First Instalment	amount of \$6.00 per Sale Share payable on Application (for the Public and Shareholder Entitlement Offers) or at settlement (for the Institutional Offer)
Instalment Receipts	receipts evidencing the Beneficial Interest in the Sale Shares and payment of the First Instalment
Institutional Offer	the invitation made under this Offer Document to Australian and certain international institutions and members of the ASX to offer to purchase Sale Shares
Offer	the invitation made by the Commonwealth under this Offer Document to the public and institutions to offer to purchase the Sale Shares
Offer Document	this offer document relating to the Commonwealth's invitation to the public and institutions to offer to purchase the Sale Shares
PSO	the public share offer under this Offer Document
Public Offer	the invitation to members of the Australian public to offer to purchase Sale Shares

Sale Shares

some or all (depending on the context) of the approximately 399.1 million issued fully paid shares in the Commonwealth Bank offered for sale by the Commonwealth under this Offer Document

Security Interest

the interest as unpaid vendor which the Commonwealth will retain in the Sale Shares as security for payment to it of the Final Instalment

Share Buy-back

the buy-back of 100 million shares in the Commonwealth Bank from the Commonwealth pursuant to the Buy-back Agreement

Shareholder

that part of the Offer which is reserved to certain

Entitlement Offer

shareholders of the Commonwealth Bank under this Offer Document to offer to purchase Sale Shares

Trust Deed

the Security Trust Deed dated 5 June 1996 between the Commonwealth and the Trustee governing, amongst other things, the instalment arrangements for the payment of the purchase price of the Sale Shares

Trustee

Commonwealth Instalment Receipt Trustee Limited
(ACN 074 162 879)

Directory

The Commonwealth of Australia

Department of Finance
Newlands Street
Parkes ACT 2600

Commonwealth Instalment

Receipt Trustee Limited

Department of Finance
Newlands Street
Parkes ACT 2600

Instalment Receipt Registrar

Coopers & Lybrand
Securities Registration Services
Level 8, Coopers & Lybrand Tower
580 George Street
Sydney NSW 2000

Legal Advisers to the Commonwealth

Australian Government Solicitor

Level 21
133 Castlereagh Street
Sydney NSW 2000

Clayton Utz

Levels 27-35
1 O'Connell Street
Sydney NSW 2000

Coudert Brothers

Level 22, State Bank Centre
52 Martin Place
Sydney NSW 2000

Business Adviser to the Commonwealth

Bain & Company

Corporate Finance Limited

Level 20, Grosvenor Place
225 George Street
Sydney NSW 2000

Global Co-ordinator

J.B. Were & Son

Joint Lead Managers

County NatWest Securities Australia Limited

Level 15, Grosvenor Place
225 George Street
Sydney NSW 2000
Telephone: (02) 321-4000
(03) 9268-9111

CS First Boston

Level 31, Gateway
1 Macquarie Place
Sydney NSW 2000
Telephone: (02) 394-4400
(03) 9280-1666

Salomon Brothers Inc

Level 26, Castlereagh Centre
9 Castlereagh Street
Sydney NSW 2000
Telephone: (02) 232-4455

J.B. Were & Son

Level 42, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Telephone: (02) 321-8777
(03) 9679-1111
(07) 3258-1111
(08) 407-1111
(09) 422-3333
(06) 247-7911
(002) 379-888
(07) 5582-2444

**Co-Lead Managers (Australia)
Macquarie Underwriting Limited**

Level 19
20 Bond Street
Sydney NSW 2000
Telephone: (02) 237-3333
(03) 9655-8000
(09) 224-0690
1800 621 656

McIntosh Corporate Limited

Level 39
120 Collins Street
Melbourne Vic 3000
Telephone: (03) 9659-2211
(02) 256-8888
(07) 3210-0444
(09) 221-4600

**Ord Minnett Corporate Finance
Limited**

Level 25, Grosvenor Place
225 George Street
Sydney NSW 2000
Telephone: (02) 220-1666
(03) 9608-4000
(07) 221-6299
(06) 247-1766
(09) 263-1111

**Co-Lead Managers (International)
ABN AMRO Australia Hoare Govett
Limited**

Level 10
10 Spring Street
Sydney NSW 2000
Telephone: (02) 364-6666
(03) 9228-7270

Cazenove & Co

Level 21, Grosvenor Place
225 George Street
Sydney NSW 2000
Telephone: (02) 233-4022

**Daiwa Securities Australia
Limited**

Level 48, Nauru House
80 Collins Street
Melbourne Vic 3000
Telephone: (03) 9280-1300
(02) 390-3777

**Legal Advisers to the Lead
Managers**

Mallesons Stephen Jaques

Level 60, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Co-Managers (Australia)

E.L. and C. Baillieu Limited

Level 27
360 Collins Street
Melbourne Vic 3000
Telephone: (03) 9602-9222

**Commonwealth Securities
Limited**

Level 4
85 Harrington Street
Sydney NSW 2000
Telephone: 13 15 19

Day Cullen Limited

1st Floor, West Wing
50 Grenfell Street
Adelaide SA 5000
Telephone: (08) 212-3211
(03) 9670-2201

Dicksons Limited

Level 3 National Australia Bank
House
255 George Street
Sydney NSW 2000
Telephone: (02) 229-4700

Section 5 **additional information**

Hartley Poynton Limited

Level 21 Allendale Square
77 St Georges Terrace
Perth WA 6000
Telephone: (09) 268-2888

**HSBC James Capel Australia
Limited**

Level 11
1 O'Connell Street
Sydney NSW 2000
Telephone: (02) 255-2500
(03) 9229-3666

Morgan Stockbroking Limited

Level 29 Riverside Centre
123 Eagle Street
Brisbane QLD 4000
Telephone: (07) 3834-4111

Wilson HTM Limited

Level 21 Riverside Centre
123 Eagle Street
Brisbane QLD 4000
Telephone: (07) 3212-1333

Application Section

Historical copy of CBA's 1996 offer document — not current disclosure.
Do not rely on this document for any current investment decision.

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Historical copy of CBA's 1996 offer document — not current disclosure.
Do not rely on this document for any current investment decision.

APPLICATION SECTION - PAGE 1

Please read this Section carefully. Your Application Form must be filled out and signed correctly or your Application may not be accepted.

Please also refer to Section 2 - Details of the Offer

HOW TO APPLY

- You may have received a personalised Application Form if you are an existing Commonwealth Bank shareholder, an eligible Commonwealth Bank employee or have reserved an Offer Document. If so, you should complete the original personalised Application Form provided to you
- If you have not received a personalised Application Form, complete one of the ORIGINAL Application Forms on the following pages. Detailed instructions for doing so are on page 4
- Photocopies will NOT be accepted
- Please write in LARGE BLOCK LETTERS
- The Application must be for a minimum of 300 Sale Shares and thereafter in multiples of 50 Sale Shares except for existing CBA shareholders who may apply (only on their Shareholder Entitlement Form) for any multiple of 50 Sale Shares
- Pay by cheque(s) only in Australian currency. **DO NOT SEND CASH**
- Make your cheque(s) payable to "CBA3 - Share Offer" crossed "Not Negotiable"
- Write the Application Number (top right of the Application Form) on the back of your cheque(s)
- PIN (do not staple) your cheque(s) to the front of the Application Form where indicated
- To calculate the correct Application Monies, you can use the Ready Reckoner on page 3

HOW TO LODGE YOUR APPLICATION

Your completed Application Form, together with your cheque(s), should be:

- mailed via Australia Post in the envelope provided in this Offer Document; or
- lodged in the collection box at any Commonwealth Bank branch in the envelope provided in this Offer Document (do not attempt to lodge with a teller); or
- lodged with any office of a member of the Selling Syndicate; or
- lodged with any member of the ASX

The address of the Application Processing Centre is:

CBA3 - Share Offer
ULD 8
EASTERN SUBURBS MC, NSW 1324

If you need further information on how to apply for Sale Shares please call the Telephone Information Centre on 13 33 88

Applications must be received by the Application Processing Centre no later than 5pm local time on 5 July 1996. Applications received at a Commonwealth Bank branch in Australia will be treated as having been received at the Application Processing Centre.

IMPORTANT

- Complete all the relevant white sections of the Application Form
- Read the Declarations on the reverse of the Application Form carefully
- Ensure you have signed the Application Form properly. Information on the form of signing is on page 2 of this Application Section
- Cheques will be deposited on the day of receipt. **Sufficient cleared funds should be held in your account as cheques returned unpaid are likely to result in your Application being rejected**
- Apply as soon as possible

APPLICATION SECTION - PAGE 2

CORRECT FORMS OF REGISTRABLE NAMES

- Note that **ONLY** legal entities are allowed to hold Shares.
- Applications in the name of a minor (a person under the age of 18), a trust or estate, business, firm or partnership, club, association or other unincorporated body cannot be accepted.
- Applications made in the individual name(s) of (the) person(s) who is (are) the legal guardian(s), trustee(s), proprietor(s), partner(s) or office bearer(s) (as applicable) of those entities will be accepted.
- Applications must be in name(s) of natural persons, companies or other legal entities acceptable to the Commonwealth.
- At least one full given name and the surname is required for each natural person.
- The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable names below.

TYPE OF INVESTOR	CORRECT FORM	EXAMPLES OF INCORRECT FORM
Individual <i>Use given names in full, not initials</i>	John Joseph Smith	J.J. Smith
Company <i>Use company title, not abbreviations</i>	ABC Pty Ltd	ABC P/L ABC Co.
Minor (a person under the age of 18) <i>Do not use the name of the minor use the name of the responsible adult</i>	John Joseph Smith <John Smith Jnr>	John Smith Jnr
Trusts <i>Do not use the name of trust, use trustee(s) names</i>	Sue Smith <Sue Smith Family A/C> or ABC Pty Ltd <ABC Family A/C>	Sue Smith Family Trust
Deceased Estates <i>Do not use the name of deceased, use executor(s) personal names</i>	Michael Smith <Est John Smith A/C>	Estate of the Late John Smith
Partnerships <i>Do not use the name of partnership, use partners' personal names</i>	John Smith & Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies <i>Do not use name of clubs etc, use office bearer(s) personal name(s)</i>	Sue Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds <i>Do not use name of fund, use name of trustee</i>	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

Put the name(s) of joint applicant #2 and #3 and/or account description using <> as indicated above in designated space(s) at Box C on the application form. Joint applications must be signed by each applicant.

SIGNING THE APPLICATION FORM

It is important that the Application Form is signed correctly. Refer below for the instructions for signing.

CATEGORY OF PARTY SIGNING	SIGNING INSTRUCTIONS
1. Individual	Single signature - nothing more.
2. Joint holding	Signatures of EACH holder - nothing more.
3. By attorney under power of attorney	Signature of attorney - print name of attorney and state that form signed under power of attorney (eg John Smith as attorney of Greg Jones under power of attorney.)
4. Company/Incorporated Association	<ul style="list-style-type: none"> • Company/corporation seal to be affixed. • Signature and printed name and title (eg director or secretary) for each person witnessing seal. • If company/corporation has only one director state "sole director" (and company/corporation seal affixed). ACN/ARBN must be clear.
5. Partnership	If individual partner signing - see 1 If more than one partner signing - see 2
6. Executor	Signature and state that form is signed as executor of named estate
7. Trustee	If individual trustee - see 1. If company - see 4.
8. Super Fund	See 7.

This document is a historical copy of CBA's 1996 offer document.

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APPLICATION SECTION - PAGE 3

Instructions for Filling in the Application Form

READY RECKONER

THIS READY RECKONER WILL HELP YOU CALCULATE THE MONEY YOU NEED TO PAY AS THE FIRST INSTALMENT
TABLE OF AMOUNTS PAYABLE AT A\$6.00 PER SALE SHARE

Sale Shares	Amount	Sale Shares	Amount	Sale Shares	Amount	Sale Shares	Amount	Sale Shares	Amount
50	\$300	300	\$1,800	550	\$3,300	800	\$4,800	2,000	\$12,000
100	\$600	350	\$2,100	600	\$3,600	850	\$5,100	3,000	\$18,000
150	\$900	400	\$2,400	650	\$3,900	900	\$5,400	4,000	\$24,000
200	\$1,200	450	\$2,700	700	\$4,200	950	\$5,700	5,000	\$30,000
250	\$1,500	500	\$3,000	750	\$4,500	1,000	\$6,000	10,000	\$60,000

Note: Only existing Commonwealth Bank shareholders may apply for less than 300 Sale Shares and only then if the Shareholder Entitlement Application Form is used. All other applications must be for a minimum of 300 Sale Shares and in multiples of 50 Sale Shares thereafter. Existing Commonwealth Bank shareholders may apply for any multiple of 50 Sale Shares using their Shareholder Entitlement Application Form.

TREATMENT OF APPLICATIONS

If your Application is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. The decision of the Commonwealth as to whether to treat your Application as valid, and how to construe, amend or complete it, shall be final.

You will not, however, be treated as having offered to purchase more Sale Shares in the Commonwealth Bank than is indicated by the amount of your cheque.

The Acceptance of Applications and the allocation of Sale Shares is at the discretion of the Commonwealth.

Application monies will be held in a separate bank account on behalf of the Applicants until the Acceptance of Applications. If the Offer does not proceed, all Application monies together with interest will be returned.

The Commonwealth reserves the right to transfer to Applicants a lesser number of Sale Shares than the Application monies tendered. If the value of Sale Shares transferred is less than the Application monies tendered, surplus Application monies will be refunded following the closing of the Offer. Interest will not be paid on the Application monies refunded.

The Commonwealth reserves the right to aggregate or reject Applications where there is evidence of multiple Applications.

For more information, refer to the Offer Document.

REFERENCE COPY OF DECLARATIONS:

The copy of the Declarations set out below is a duplicate from the the back of the Application Form(s). It is for your own records in case you wish to refer to them later and have used all the Application Forms bearing this information.

1. I/We accept and agree to be bound by all the terms and conditions of the sale of the Sale Shares set out in the Offer Document and the terms and conditions of the Trust Deed, including without limitation:
 - (a) the obligation to pay the Final Instalment by the Final Instalment Payment Date;
 - (b) the liability to pay Interest and recovery costs if the Final Instalment is not paid by its due date; and
 - (c) the requirement that no Encumbrance (such as a mortgage) may be created or arise over a Sale Share or which gives any person any right to a Sale Share unless and until the Final Instalment is duly paid.
2. I/We direct that the Sale Shares I/we purchase are to be transferred to the Trustee to hold in accordance with the Trust Deed.
3. For the purpose of creating the Security Interest in favour of the Commonwealth I/we direct that the share certificates covering the Sale Shares purchased pursuant to this Application (or covering shares which include the Sale Shares the subject of this Application) be deposited with the Trustee.
4. By signing/sealing the Application Form I/we declare that:
 - (a) if signed by an applicant corporation, it has been signed under the corporation's common seal (if the law of its place of incorporation requires such a seal) and the common seal has been affixed in accordance with the corporation's Articles of Association / constitution and applicable laws;
 - (b) if signed by an attorney, the power of attorney authorises the signing of this Application Form and no notice of revocation has been received;
 - (c) I/We am/are not minor(s) nor do I/we suffer from any other legal disability preventing me/us from buying the Sale Shares; and
 - (d) if signed in a capacity other than a personal capacity, in addition to being bound in such a capacity, I/we agree to also be bound in my/our personal capacity.

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APPLICATION SECTION - PAGE 4

INSTRUCTIONS FOR FILLING IN THE APPLICATION FORM

Please complete all relevant white sections of the Application Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Application Form.

- A** Insert the NUMBER OF SALE SHARES you wish to apply for in box A. The application must be for a minimum of 300 Sale Shares and thereafter in multiples of 50 Sale Shares.
- B** Write the dollar amount payable as the First Instalment in box B on your Application. This is calculated as the number of Sale Shares multiplied by the First Instalment amount per Sale Share shown on the Application Form. Be sure that your cheque(s) details total this amount (see I below).
- C** Write the full name you wish to appear on your share certificate. This must be either your own name or the name of a company. Up to three joint applicants may register. You should refer to page 2 of this Application Section for the correct forms of registrable name. Applications using the wrong form of name will be rejected.
- D** Write the Tax File Number (TFN) of each Applicant or the exemption category. Collection of TFNs is authorised by the taxation laws. Quotation of TFNs is NOT compulsory and will not affect your application. If signing as a company officer only write the company's TFN, not your personal TFN.
- E** Enter your postal address for all correspondence. All communications to you from the share registry and Instalment Receipt registry will be mailed to the person(s) and address as shown. For joint applicants, only one address can be entered.
- F** Write your contact details here: your daytime phone number, after hours phone number and contact name. These details will assist in any queries with regard to this Application.
- G** If you are already a CHESSE participant, or sponsored by a CHESSE participant, write your HIN here. If not, leave this section BLANK.
- H** Sign and date the Application Form. It must be signed by the Applicant(s) personally or, for a company, under company seal or, in either case, by an attorney. If your Application is signed by an attorney, the power of attorney is not required to be lodged. Joint Applicants must each sign the Application. Guidance on the form of signing is on page 2 of this Application Section.
- I** Write the details of the cheque(s) you are attaching. Please be sure that the total of all cheques equals the amount of your Application in B above. Make your "Not Negotiable" cheque payable to "CBA3 - Share Offer," payable in Australian currency drawn on an Australian Bank. **Sufficient cleared funds should be held in your account as cheques returned unpaid are likely to result in your Application being rejected.** Pin (do not staple) your cheques to the Application Form where indicated.

Please Note: If you are a broker client and are using this form to apply for extra Sale Shares, or because you want to apply for your Sale Shares in a different name than is on your personalised form, then please be sure to **copy the Broker Code and Adviser Code** (if any) to this form from your personalised form (see the top right - hand section of Form).

WHERE TO SEND YOUR FORMS: Refer to page 1 of this Application Section

APPLICATION FORM CHECK LIST

Please use this checklist to ensure your Application Form has been completed correctly.

- Read the Offer Document in full and the whole of this Application Section carefully.
- Use an original Application Form. Photocopies will not be accepted.
- DO NOT ALTER any preprinted details if you are completing a personalised Application Form. Any alterations will be ignored.
- Ensure that the name in which you apply for Sale Shares is in the correct form of REGISTRABLE TITLE, as detailed on page 2 of this Application Section.
- SIGN THE FORM in accordance with the instructions on page 2 of this Application Section.
IF YOU DO NOT SIGN the Application Form, your application WILL BE REJECTED.
IF YOU DO NOT SIGN PROPERLY, YOUR APPLICATION MAY BE REJECTED.
- Pay by cheque only in Australian currency drawn on an Australian bank.
- Make your cheque(s) payable to "CBA3 - Share Offer" crossed "Not Negotiable".
- Write the Application Number (from the top of the Application Form) on the back of your cheque(s)
- Ensure that the amount of your cheque equals the number of Sale Shares applied for, multiplied by the First Instalment amount per Sale Share shown on the Application Form. Use the Ready Reckoner on page 3 of this Application Section for guidance.

BACK OF APPLICATION FORM - PLEASE COMPLETE FRONT

Please also read the whole Application Section of the Offer Document.

- Complete all relevant white boxes of the application form overleaf. Detailed instructions for doing so are set out in the Application Section. PHOTOCOPIES will not be accepted. Write in large BLOCK letters.
- PAY BY CHEQUE ONLY in Australian currency. MAKE YOUR CHEQUE PAYABLE TO "CBA3 SHARE OFFER." PIN (do not staple) the cheque to the front of the Application Form where indicated.
- Ensure you have signed the Application Form properly. Information on the form of signing is on page 2 of the Application Section.
- Read the declarations below.
- Seal your completed Application Form with your cheque attached in the envelope provided. You may either lodge it with any branch of the Commonwealth Bank, any member of the selling syndicate or any member of the ASX or mail it to: CBA3 Share Offer, ULD 8, Eastern Suburbs MC NSW 1324.
- LODGE YOUR APPLICATION AS SOON AS POSSIBLE.
- READ THE OFFER DOCUMENT IN FULL.
- IF YOU NEED FURTHER INFORMATION on how to apply for Sale Shares call the Telephone Information Centre on 13 33 88.

Expressions on this form which have defined meanings commence with capital letters. See the Glossary Section of the Offer Document.

DECLARATIONS:

1. I/We accept and agree to be bound by all the terms and conditions of the sale of the Sale Shares set out in the Offer Document and the terms and conditions of the Trust Deed, including without limitation:
 - (a) the obligation to pay the Final Instalment by the Final Instalment Payment Date;
 - (b) the liability to pay Interest and recovery costs if the Final Instalment is not paid by its due date; and
 - (c) the requirement that no Encumbrance (such as a mortgage) may be created or arise over a Sale Share or which gives any person any right to a Sale Share unless and until the Final Instalment is duly paid.
2. I/We direct that the Sale Shares I/we purchase are to be transferred to the Trustee to hold in accordance with the Trust Deed.
3. For the purpose of creating the Security Interest in favour of the Commonwealth I/we direct that the share certificates covering the Sale Shares purchased pursuant to this Application (or covering shares which include the Sale Shares the subject of this Application) be deposited with the Trustee.
4. By signing/sealing the Application Form I/we declare that:
 - (a) if signed by an applicant corporation, it has been signed under the corporation's common seal (if the law of its place of incorporation requires such a seal) and the common seal has been affixed in accordance with the corporation's Articles of Association / constitution and applicable laws;
 - (b) if signed by an attorney, the power of attorney authorises the signing of this Application Form and no notice of revocation has been received;
 - (c) I/We am/are not minor(s) nor do I/we suffer from any other legal disability preventing me/us from buying the Sale Shares; and
 - (d) if signed in a capacity other than a personal capacity, in addition to being bound in such a capacity, I/we agree to also be bound in my/our personal capacity.



Commonwealth Bank

PUBLIC SHARE OFFER

by the Australian Government

Application Number



233146777

APPLICATION FORM to buy Sale Shares in Commonwealth Bank of Australia

THE SALE SHARES YOU ARE ALLOCATED (IF ANY) WILL BE TRANSFERRED TO THE TRUSTEE (SEE OFFER DOCUMENT) AND YOU WILL RECEIVE INSTALMENT RECEIPTS. THE PURCHASE PRICE FOR THE SALE SHARES IS PAYABLE IN 2 INSTALMENTS.

Please read the Offer Document and lodge your Application Form as soon as possible. The Offer will be open for a limited time.

PLEASE READ ALL THE INSTRUCTIONS IN THE APPLICATION SECTION

Write the number of Sale Shares you are applying for here.

Minimum 300 and then multiples of 50 Sale Shares

A

x AS6.00 =

B

A\$

.00

Write here the total amount payable as the First Instalment. (Please make sure that the amount of your cheque(s) equals this amount).

You may be allocated all of the Sale Shares above or a lesser number

Write your name here (See page 2 of the Application Section for the correct forms of names to write here.)

Given Name(s) (no initials) & Surname or Company Name

C

Joint Applicant 2 or <account name>

Joint Applicant 3 or <account name>

Write your postal address here

Number/Street

E

Suburb / Town

State

Postcode

Enter your Tax File Number(s) (or exemption category)

D

()

Contact Number (work)

()

Contact Number (home)

F

Contact Name (print)

G

CHESS - Enter your HIN (If applicable)

By applying for the above Sale Shares you will be paying only the First Instalment of AS6.00 per Sale Share now. The Final Instalment must be paid by 14 November 1997 (see Offer Document).

I/We hereby apply for the above Sale Shares and acknowledge that by applying for the Sale Shares I/we direct that the Sale Shares be transferred to the Trustee and I/we will receive Instalment Receipts. I/We acknowledge that the money attached is for the First Instalment only and that I/we am/are legally bound to pay the Final Instalment when due. I/We also agree to be bound by the Trust Deed and the Memorandum and Articles of Association of Commonwealth Bank of Australia. I/We declare that this Application is signed/sealed in accordance with the Offer Document and the declarations on the reverse of this form which I/WE HAVE READ AND UNDERSTAND.

SIGN HERE

H

Date / /1996

X Applicant

X Joint Applicant 2

X Joint Applicant 3

Company Seal (if required)

Director

Print Name

Director/Secretary

Print Name

If Sole Director/Secretary print "Sole Director"

Warning: If this form is not signed in accordance with the instructions in the Application Section (especially page 2) of the Offer Document, your Application is likely to be rejected.

I

Drawer	Bank	Branch	Amount of Cheque
Drawer	Bank	Branch	Amount of Cheque

PLEASE MAKE CHEQUE PAYABLE TO "CBA3 - SHARE OFFER"

This document is a historical copy of CBA's 1996 offer document.

CHEQUE DETAILS: Is provided for archival reference only, is not to be used for disclosure, and must not be relied on for any current investment decision.



Commonwealth Bank

PUBLIC SHARE OFFER

by the Australian Government

Application Number



233146785

APPLICATION FORM to buy Sale Shares in Commonwealth Bank of Australia

THE SALE SHARES YOU ARE ALLOCATED (IF ANY) WILL BE TRANSFERRED TO THE TRUSTEE (SEE OFFER DOCUMENT) AND YOU WILL RECEIVE INSTALMENT RECEIPTS. THE PURCHASE PRICE FOR THE SALE SHARES IS PAYABLE IN 2 INSTALMENTS.

Please read the Offer Document and lodge your Application Form as soon as possible. The Offer will be open for a limited time.

PLEASE READ ALL THE INSTRUCTIONS IN THE APPLICATION SECTION

Write the number of Sale Shares you are applying for here.

Minimum 300 and then multiples of 50 Sale Shares

x AS\$6.00 = AS\$

You may be allocated all of the Sale Shares above or a lesser number

Write your name here (See page 2 of the Application Section for the correct forms of names to write here.)

Given Name(s) (no initials) & Surname or Company Name

Joint Applicant 2 or <account name>

Joint Applicant 3 or <account name>

Write your postal address here

Number/Street

Suburb / Town

State Postcode

CHES - Enter your HIN (if applicable)

By applying for the above Sale Shares you will be paying only the First Instalment of AS\$6.00 per Sale Share now. The Final Instalment must be paid by 14 November 1997 (see Offer Document).

I/We hereby apply for the above Sale Shares and acknowledge that by applying for the Sale Shares I/we direct that the Sale Shares be transferred to the Trustee and I/we will receive Instalment Receipts. I/We acknowledge that the money attached is for the First Instalment only and that I/we am/are legally bound to pay the Final Instalment when due. I/We also agree to be bound by the Trust Deed and the Memorandum and Articles of Association of Commonwealth Bank of Australia. I/We declare that this Application is signed/sealed in accordance with the Offer Document and the declarations on the reverse of this form which I/WE HAVE READ AND UNDERSTAND.



→ Date / / 1996
 Applicant
 Joint Applicant 2
 Joint Applicant 3

Company Seal (if required)

_____ Director _____ Print Name
 _____ Director/Secretary _____ Print Name
 If Sole Director/Secretary print "Sole Director"

Warning: If this form is not signed in accordance with the instructions in the Application Section (especially page 2) of the Offer Document, your Application is likely to be rejected.

<input type="text"/>	Drawer	Bank	Branch	Amount of Cheque
<input type="text"/>	Drawer	Bank	Branch	Amount of Cheque

PLEASE MAKE CHEQUE PAYABLE TO "CBA3 - SHARE OFFER"

BACK OF APPLICATION FORM - PLEASE COMPLETE FRONT

Please also read the whole Application Section of the Offer Document.

- Complete all relevant white boxes of the application form overleaf. Detailed instructions for doing so are set out in the Application Section. PHOTOCOPIES will not be accepted. Write in large BLOCK letters.
- PAY BY CHEQUE ONLY in Australian currency. MAKE YOUR CHEQUE PAYABLE TO "CBA3 SHARE OFFER." PIN (do not staple) the cheque to the front of the Application Form where indicated.
- Ensure you have signed the Application Form properly. Information on the form of signing is on page 2 of the Application Section.
- Read the declarations below.
- Seal your completed Application Form with your cheque attached in the envelope provided. You may either lodge it with any branch of the Commonwealth Bank, any member of the selling syndicate or any member of the ASX or mail it to: CBA3 Share Offer, ULD 8, Eastern Suburbs MC NSW 1324.
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- READ THE OFFER DOCUMENT IN FULL.
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1. I/We accept and agree to be bound by all the terms and conditions of the sale of the Sale Shares set out in the Offer Document and the terms and conditions of the Trust Deed, including without limitation:
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 - (b) the liability to pay Interest and recovery costs if the Final Instalment is not paid by its due date; and
 - (c) the requirement that no Encumbrance (such as a mortgage) may be created or arise over a Sale Share or which gives any person any right to a Sale Share unless and until the Final Instalment is duly paid.
2. I/We direct that the Sale Shares I/we purchase are to be transferred to the Trustee to hold in accordance with the Trust Deed.
3. For the purpose of creating the Security Interest in favour of the Commonwealth I/we direct that the share certificates covering the Sale Shares purchased pursuant to this Application (or covering shares which include the Sale Shares the subject of this Application) be deposited with the Trustee.
4. By signing/sealing the Application Form I/we declare that:
 - (a) if signed by an applicant corporation, it has been signed under the corporation's common seal (if the law of its place of incorporation requires such a seal) and the common seal has been affixed in accordance with the corporation's Articles of Association / constitution and applicable laws;
 - (b) if signed by an attorney, the power of attorney authorises the signing of this Application Form and no notice of revocation has been received;
 - (c) I/We am/are not minor(s) nor do I/we suffer from any other legal disability preventing me/us from buying the Sale Shares; and
 - (d) if signed in a capacity other than a personal capacity, in addition to being bound in such a capacity, I/we agree to also be bound in my/our personal capacity.

ISE-29-2-1

Historical copy of CBA's 1996 offer document — not current disclosure.
Do not rely on this document for any current investment decision.