

ASX ANNOUNCEMENT



COMMONWEALTH BANK LAUNCHES COMMBANK PERLS VIII CAPITAL NOTES OFFER

Expected Margin of between 5.20% and 5.35% above bank bill rate

NOT FOR DISTRIBUTION IN THE UNITED STATES

Sydney, 16 February 2016: Commonwealth Bank of Australia (the “Group”) today announced the offer, and lodged a prospectus, for a new Tier 1 hybrid, CommBank PERLS VIII Capital Notes (“PERLS VIII”) (“Offer”).

PERLS VIII will qualify as Tier 1 capital of the Group. The Offer is expected to raise A\$1.25 billion, with the ability to raise more or less. PERLS VIII are expected to be quoted on ASX under the trading code CBAPE.

PERLS VIII are subordinated, unsecured notes¹ scheduled² to pay quarterly, floating rate distributions which are expected to be fully franked. PERLS VIII have a call date in October 2021 and will mandatorily exchange into CBA ordinary shares in October 2023. PERLS VIII have an initial face value of A\$100.

The net proceeds of the Offer will be used to fund the Group’s business. PERLS III holders may be eligible to participate in a Reinvestment Offer, allowing them to reinvest the face value of their PERLS III in PERLS VIII as described below.

Commonwealth Bank of Australia and Goldman Sachs Australia Pty Limited are the Arrangers and Joint Lead Managers to the Offer. ANZ Securities Limited; J.P. Morgan Australia Limited; Morgan Stanley Australia Securities Limited; Morgans Financial Limited; UBS AG, Australia Branch; and Westpac Institutional Bank have also been appointed as Joint Lead Managers to the Offer.

Bell Potter Securities Limited; Citigroup Global Markets Australia Pty Limited; and Ord Minnett Limited have been appointed as Co-Managers to the Offer.

Unless otherwise defined, capitalised terms in this announcement have the meaning given to them in the prospectus.

¹ Investments in PERLS VIII are an investment in the Group and may be affected by the ongoing performance, financial position and solvency of the Group. They are not deposit liabilities or protected accounts of the Group under the Banking Act 1959 (Cth).

² The payment of Distributions is at the discretion of the Group’s Board. Distributions are non-cumulative and will not be paid if certain conditions are not met.

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DETAILS OF THE OFFER

The Offer will comprise:

- a Reinvestment Offer made to eligible PERLS III holders on the Reinvestment Offer Record Date (22 February 2016);
- a Broker Firm Offer made to retail investors who are clients of a syndicate broker and certain institutional investors; and
- a Securityholder Offer made to eligible holders of Ordinary Shares, PERLS III, PERLS VI, PERLS VII or Colonial Group Subordinated Notes as at 22 February 2016.

Investors should read and consider the prospectus in full and obtain professional advice before deciding whether to invest in PERLS VIII or participate in the Reinvestment Offer. Applications for PERLS VIII under the Offer can only be made by completing the application form that will be in, or will accompany, a replacement prospectus containing the Margin that will be available when the Offer opens. This announcement is not advice and has not taken into account your objectives, financial situation or needs.

KEY FEATURES OF PERLS VIII

Distributions	<ul style="list-style-type: none">• Distributions are scheduled to be paid quarterly in arrears• The first Distribution is scheduled to be paid on 15 June 2016³• The Distribution Rate is equal to the sum of the 90 day bank bill rate plus the Margin, multiplied by (1 – Tax Rate)⁴• Expected Margin between 5.20% and 5.35%, which will be determined through the bookbuild• Distributions are expected to be fully franked⁵
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³ Distributions are scheduled to be paid quarterly on 15 March, 15 June, 15 September and 15 December. If any of these dates is not a Business Day, then the payment is scheduled to be made on the next Business Day. If a payment is postponed, there is no adjustment to the amount of the Distribution payable.

⁴ The Australian corporate tax rate on the relevant Distribution Payment Date, currently 30%.

⁵ Distributions may be unfranked or not fully franked. If a Distribution is unfranked or not fully franked, the cash Distribution will be calculated according to a different formula to compensate Holders. Holders should be aware that the ability of a holder to use franking credits will depend on their individual position and that the potential value of franking credits does not accrue at the same time as the cash Distribution is received.

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Term	<ul style="list-style-type: none"> Perpetual. However, the Group must Exchange PERLS VIII on the Mandatory Exchange Date (subject to the Maximum Exchange Number and Mandatory Exchange Conditions) and may, at CBA's option, Redeem PERLS VIII on the Call Date, or may Exchange or Redeem PERLS VIII earlier on the occurrence of certain events Holders do not have a right to request that their PERLS VIII be Redeemed or Exchanged early. To realise their investment, Holders can sell their PERLS VIII on ASX at the prevailing market price
Mandatory Exchange Date	<ul style="list-style-type: none"> 15 October 2023, or if the Mandatory Exchange Conditions are not satisfied on that date, the first Distribution Payment Date after that date on which the Mandatory Exchange Conditions are satisfied On the Mandatory Exchange Date, holders will receive for each PERLS VIII a variable number of Ordinary Shares with a value equal to A\$101.01⁶. This is subject to the Maximum Exchange Number and Mandatory Exchange Conditions
Early Exchange	<ul style="list-style-type: none"> The Group must Exchange all, some or a proportion of all PERLS VIII if: <ul style="list-style-type: none"> a Capital Trigger Event or Non-Viability Trigger Event occurs; or a Change of Control Event occurs
Call Date	<ul style="list-style-type: none"> The Group may in its absolute discretion Redeem, or elect that Resale occur in relation to, all or some PERLS VIII on 15 October 2021. This is the only date on which CBA may act in this way and is subject to prior written approval from APRA⁷
Early Redemption	<ul style="list-style-type: none"> The Group may redeem PERLS VIII for certain tax or regulatory reasons
Risks	<ul style="list-style-type: none"> PERLS VIII are subject to risks associated with PERLS VIII specifically and risks associated with the Group's businesses which may affect PERLS VIII. These are set out in the prospectus

⁶ The number of Ordinary Shares is based on the Face Value (initially A\$100) and the VWAP of Ordinary Shares during the 20 Business Days before the Mandatory Exchange Date with the benefit of a 1% discount. This may differ from the Ordinary Share price on or after Exchange, and therefore the value of Ordinary Shares received on Exchange of each PERLS VIII may be more or less than A\$101.01. In circumstances where part of the Face Value of a PERLS VIII has already been Exchanged in accordance with the Terms, the value of Ordinary Shares received on subsequent Exchange of PERLS VIII will be adjusted down accordingly.

⁷ Approval is at the discretion of APRA and may or may not be given.

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REINVESTMENT OFFER FOR ELIGIBLE PERLS III INVESTORS

The Reinvestment Offer is an offer to eligible PERLS III holders to sell all or some of their PERLS III securities to CBA for A\$200 per PERLS III on the Reinvestment Date (30 March 2016) and to automatically reinvest the sale proceeds in PERLS VIII.

The Reinvestment Offer is only relevant to investors who are registered holders of PERLS III on the Reinvestment Offer Record Date (22 February 2016) with a registered address in Australia. Eligible PERLS III holders have two options:

Option 1 – Invest in PERLS VIII by participating in the Reinvestment Offer

- PERLS III holders elect to participate through the Reinvestment application form, and the proceeds will be automatically reinvested in PERLS VIII to be issued on 30 March 2016.
- The Group will give priority in allocation of PERLS VIII to Applications received under the Reinvestment Offer over Applications received under the Securityholder Offer.
- Holders can also apply for additional PERLS VIII through the Securityholder Offer.
- The final distribution on PERLS III will be paid on 6 April 2016.

Option 2 – Do not participate in the Reinvestment Offer

- If PERLS III holders do not participate in the Reinvestment Offer and do not sell their PERLS III on ASX before the last day for trading PERLS III (expected to be 24 February 2016)⁸, then it is expected that, on 6 April 2016, all remaining PERLS III will be compulsorily acquired by the Group for A\$200 per PERLS III. The Group will pay the sale proceeds to holders in the same way in which their distributions on PERLS III have previously been paid. No brokerage will be payable by PERLS III holders.
- The final distribution on PERLS III will be paid on 6 April 2016, and will be paid to PERLS III holders regardless of whether they participate in the Reinvestment Offer or their PERLS III are compulsorily acquired by the Group.

The Group will issue an Exchange Notice within the time limit specified in the PERLS III terms to enable the remaining PERLS III to be acquired by the Group.

⁸ PERLS III holders selling on ASX may have to pay brokerage to their own broker, and the prevailing market price may be more or less than A\$200. Trading in PERLS III will be suspended after the last day for trading.

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KEY DATES FOR THE OFFER⁹

Lodgement of prospectus with ASIC	16 February 2016
Securityholder Offer Record Date	22 February 2016
Bookbuild	23 February 2016
Announcement of Margin	24 February 2016
Lodgement of replacement prospectus with ASIC	24 February 2016
Opening Date for the Offer	24 February 2016
Closing Date for the Offer	5.00pm (Sydney time) 18 March 2016
Issue date	30 March 2016
Commencement of deferred settlement trading	31 March 2016
Despatch of holding statements	1 April 2016
Commencement of trading on normal settlement basis	4 April 2016

KEY DATES FOR ELIGIBLE PERLS III HOLDERS⁹

Reinvestment Offer Record Date	22 February 2016
Opening Date for the Reinvestment Offer	24 February 2016
Closing Date for the Reinvestment Offer	5.00pm (Sydney time) 18 March 2016
Record date for final distribution on PERLS III (both participating and not participating in the Reinvestment Offer)	29 March 2016
Reinvestment Date	30 March 2016
Issue Date – when PERLS VIII are Issued under the Reinvestment Offer	30 March 2016

⁹ The key dates for the Offer are indicative only and subject to change without notice. The Group may, in consultation with the Joint lead Managers, vary the timetable, including to close the Offer early; close the Reinvestment Offer or Securityholder Offer early; extend the Closing Date; accept late Applications, either generally or in specific cases; or withdraw or vary the terms of, including by increasing the Margin, at any time of the Offer at any time prior to Issue. If any of the dates are changed, subsequent dates may also change.

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Payment date for final distribution on PERLS III	6 April 2016
Exchange date for PERLS III which did not participate in the Reinvestment Offer	6 April 2016

ADDITIONAL INFORMATION

Potential investors can obtain a copy of the prospectus by:

- calling the PERLS VIII Information Line on 1800 218 694 (Monday to Friday 8.00am - 7.30pm, Sydney time);
- contacting their broker or adviser; or
- downloading a copy, available online at www.commsec.com.au.

- ENDS -

For additional information, please contact:

Group Treasury:

Tricia Ho-Hudson
Head of Capital & Regulatory Strategy
Ph: (02) 9118 1319

Media:

Kate Abrahams
General Manager Group Communications
Ph: (02) 9118 6919

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