

ASX Announcement

Commonwealth Bank Launches CommBank PERLS X Capital Notes Offer

Expected Margin of between 3.40% and 3.60% above bank bill rate

NOT FOR DISTRIBUTION IN THE UNITED STATES

7 March 2018 (Sydney): Commonwealth Bank of Australia (the “Group”) today announced the offer, and lodged a prospectus (“Prospectus”), for a new Tier 1 hybrid, CommBank PERLS X Capital Notes (“PERLS X”) (“Offer”).

PERLS X will qualify as Tier 1 capital of the Group. The Offer is expected to raise A\$750 million, with the ability to raise more or less. PERLS X are expected to be quoted on ASX under the trading code CBAPG.

PERLS X are subordinated, unsecured notes¹ scheduled² to pay floating rate distributions quarterly, which are expected to be fully franked. PERLS X have a Call Date of 15 April 2025 and will mandatorily Exchange into Ordinary Shares on 15 April 2027 (subject to certain conditions). PERLS X have an initial Face Value of A\$100.

The net proceeds of the Offer will be used to fund the Group’s business.

Commonwealth Bank of Australia is the Arranger and a Joint Lead Manager to the Offer. ANZ Securities Limited, Morgan Stanley Securities Australia Limited, Morgans Financial Limited and Westpac Institutional Bank have also been appointed as Joint Lead Managers to the Offer.

Crestone Wealth Management Limited, Ord Minnett Limited and Shaw and Partners 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.

Details of the Offer

The Offer will comprise:

- 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 Securityholders³ of Ordinary Shares, PERLS VI, PERLS VII, PERLS VIII or PERLS IX as at 9 March 2018.

¹ Investments in PERLS X 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) and are not guaranteed or insured by any Australian government, government agency or compensation scheme.

² Distributions are discretionary and subject to the distribution payment conditions being satisfied. Distributions are non-cumulative.

³ Eligible Securityholders must have a registered address in Australia, or have a registered address outside Australia and satisfy the conditions outlined in “Restrictions on foreign jurisdictions” on the inside front cover of the Prospectus.

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 2018⁴ • The Distribution Rate is the Market Rate plus the Margin, multiplied by $(1 - \text{Tax Rate})^5$ • The Margin is expected to be between 3.40% and 3.60%, and will be determined through the Bookbuild • Distributions are expected to be fully franked⁶
Term	<ul style="list-style-type: none"> • Perpetual. However, the Group must Exchange PERLS X into Ordinary Shares on the Mandatory Exchange Date (subject to the Maximum Exchange Number and Mandatory Exchange Conditions) and may, at the Group's option, Redeem PERLS X on the Call Date, or may Exchange or Redeem PERLS X earlier on the occurrence of certain events (subject to APRA approval) • Holders do not have a right to request that their PERLS X be Redeemed or Exchanged early for any reason. To realise their investment, Holders can sell their PERLS X on ASX at the prevailing market price⁷
Mandatory Exchange Date	<ul style="list-style-type: none"> • 15 April 2027, 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 X a variable number of Ordinary Shares with a value approximately equal to A\$101.01⁸. 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 X if a Capital Trigger Event or Non-Viability Trigger Event occurs • The Group must Exchange all (but not some) of PERLS X if 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 X on 15 April 2025. This is subject to prior written approval from APRA⁹
Early Redemption	<ul style="list-style-type: none"> • The Group may redeem PERLS X for certain tax (including franking) or regulatory reasons

⁴ 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.

⁵ The Australian corporate tax rate on the relevant Distribution Payment Date, currently 30%.

⁶ Distributions may be unfranked or not fully franked. If a Distribution is unfranked or not fully franked, the cash Distribution will be grossed-up according to a formula under the Terms. 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.

⁷ PERLS X may be trading at a market price below the Face Value and/or the market for PERLS X may not be liquid. For further information about liquidity risks associated with PERLS X, see Section 4.2.12 of the Prospectus.

⁸ 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 price of Ordinary Shares on or after Exchange, and therefore the value of Ordinary Shares received on Exchange of each PERLS X may be more or less than A\$101.01.

⁹ Approval is at the discretion of APRA and may or may not be given.

Risks	<ul style="list-style-type: none"> PERLS X are subject to risks associated with PERLS X specifically and risks associated with the Group's businesses which may affect PERLS X. These are set out in the Prospectus
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Investors should read and consider the Prospectus in full and obtain professional advice before deciding whether to invest in PERLS X and consider the risks that could affect the performance of PERLS X. A replacement Prospectus containing the Margin will be available when the Offer opens. The information provided in this announcement is not investment advice and has not been prepared taking into account your investment objectives, financial situation or particular needs (including financial and taxation considerations). If you have any questions, you should seek advice from your financial or other professional advisor before deciding to invest in PERLS X.

Applications for PERLS X under the Offer can only be made by completing the Application Form that is attached to or accompanies the Prospectus, or the online Application Form at www.commsec.com.au.

Key Dates for the Offer¹⁰

Lodgement of Prospectus with ASIC	7 March 2018
Securityholder Offer Record Date	9 March 2018
Bookbuild	14 March 2018
Announcement of Margin	15 March 2018
Opening Date for the Offer and lodgement of the replacement prospectus with ASIC	15 March 2018
Closing Date for the Offer	5.00pm (Sydney time) 29 March 2018
Issue Date	6 April 2018
Commencement of deferred settlement trading	9 April 2018
Despatch of Holding Statements	10 April 2018
Commencement of trading on normal settlement basis	11 April 2018

Important Information

Potential investors can obtain a copy of the Prospectus by:

- calling the PERLS X Information Line on 1300 794 935 (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.

¹⁰ 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 Securityholder Offer early; extend the Closing Date; accept late Applications, either generally or in specific cases; or withdraw or vary the terms of the Offer, including by increasing or decreasing the Margin, at any time prior to Issue. If any of the dates are changed, subsequent dates may also change. You are encouraged to lodge your Application as soon as possible after the Opening Date.

Important Information

The offering of securities in this release is open only to investors that are in Australia, and accordingly, this release does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended). This information, the Prospectus or any other material relating to the Offer is not for distribution in the United States.

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For additional information, please contact:

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