



Prospectus and PERLS Redemption Information

PERLS III

Perpetual Exchangeable Repurchaseable Listed Shares

Issuer

Preferred Capital Limited

ABN 68 101 938 176

Date of this Prospectus

3 March 2006

Structuring Advisers

CommSec

Deutsche Bank

UBS

Joint Lead Managers and Joint Bookrunners

Citigroup

CommSec

Deutsche Bank

Macquarie

UBS

Co-Managers

ABN AMRO Morgans

ANZ Securities

Bell Potter Securities

Ord Minnett

Wilson HTM



Important Notices

Prospectus

This Prospectus relates to the Offer of PERLS III at an Issue Price of \$200 each to raise at least \$900 million with the ability to raise more.

PERLS III are preference shares issued by Preferred Capital Limited ("PCL" or the "Issuer").

This Prospectus is dated 3 March 2006 and a copy of this Prospectus was lodged with the Australian Securities and Investments Commission ("ASIC") on that date. It is a replacement prospectus which replaces the prospectus dated 23 February 2006 and lodged with ASIC on that date ("Original Prospectus"). It includes details of the Initial Margin which was determined following the Bookbuild described in Section 5.4. The Expiry Date of this Prospectus is 23 March 2007. No PERLS III will be allotted or issued on the basis of this Prospectus after the Expiry Date.

ASIC and Australian Stock Exchange Limited ("ASX") take no responsibility for the contents of this Prospectus.

PERLS III are not, and differ in several key respects from, PERLS and PERLS II. See Section 3 for details.

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings. These words and expressions are capitalised and are defined in the Glossary in Appendix C.

The definitions specific to PERLS III are in clause 1.1 of the PERLS III Terms of Issue in Appendix A.

A reference to \$ or cents in this Prospectus is a reference to Australian currency. A reference to time in this Prospectus is a reference to Sydney, New South Wales, Australia time.

PERLS III are not issued by the Bank

The Commonwealth Bank of Australia ("Bank") does not guarantee the performance of PCL or PERLS III, the payment of Dividends by PCL or the repayment of capital of PCL. Investments in PERLS III are not deposits or liabilities of the Bank and are not subject to the depositor protection provisions of Australian banking legislation. The Convertible Notes that PCL will invest in are a primary obligation of the Bank. The Convertible Notes are not secured, nor are they obligations in respect of PERLS III. Investment-type products are subject to investment risk, including possible delays in repayment and loss of income and principal invested.

No representations other than in this Prospectus

No person is authorised to provide any information or to make any representations in connection with the Offer, which are not contained in this Prospectus. Any information or representations not contained in this Prospectus may not be relied upon as having been authorised by the Issuer in connection with the Offer.

Except as required by law, and only to the extent that it is required by law, neither the Issuer nor any other person warrants the future performance of the Issuer, PERLS III, or any return on any investment made by you under this Prospectus.

The pro-forma financial information provided in this Prospectus is for information purposes only and is not a forecast of operating results to be expected in future periods.

This Prospectus does not provide investment advice

The information provided in this Prospectus is not investment advice and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). It is important that you read this Prospectus in full before deciding whether to invest in PERLS III and consider the risk factors that could affect the performance of PERLS

III or the Bank. Important risk factors in relation to investing in PERLS III that you should consider are in Section 6. You should carefully consider these risk factors in light of your investment objectives, financial situation or particular needs (including financial and taxation issues) and seek professional advice from your financial adviser or other professional adviser before deciding whether to invest in PERLS III.

Restrictions on foreign jurisdictions

The Offer is available to persons receiving this Prospectus in Australia. Due to regulatory requirements, the invitation to apply for PERLS III is not extended to investors (including Bank Ordinary Shareholders, PERLS Holders, or PERLS II Holders) located or resident outside Australia, other than certain institutional investors outside Australia and the US at the sole discretion of the Issuer and the Joint Lead Managers, and in compliance with applicable laws in the relevant jurisdictions. Please refer to Section 11 for details.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. If you are a potential investor in any jurisdiction outside Australia and you come into possession of this Prospectus you should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

In particular, PERLS III have not been and will not be registered under the US Securities Act or the laws of any State of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, US Persons. In addition, PCL has not and will not be registered under the US Investment Company Act. Each of the Joint Lead Managers and each Co-Manager must not offer, sell or deliver PERLS III within the United States or to, or for the account or benefit of, US Persons, and is required to send each dealer to which it sells PERLS III during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the PERLS III within the United States or to, or for the account or benefit of, US Persons. Terms used in this paragraph have the meanings given to them by Regulation S under the US Securities Act.

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

Exposure Period

The Corporations Act prohibited the acceptance of Applications during the seven day period after the date the Original Prospectus was lodged with ASIC. This period is referred to as the Exposure Period.

The purpose of the Exposure Period was to enable the Original Prospectus to be examined by market participants before the Opening Date. Application Forms were not available until after the Exposure Period.

How to obtain a Prospectus and Application Form

Printed copies of this Prospectus with an Application Form attached or accompanying it will be available free of charge during the Offer Period by calling the **PERLS III Information Line on 1800 742 737** (Monday to Friday 8.30 am–5.30 pm).

This Prospectus will also be available electronically during the Offer Period at www.commsec.com.au. If you access an electronic copy of this Prospectus, then you should ensure that you download and read the entire Prospectus.

Application Forms will be available during the Offer Period, with both electronic and printed copies of the Prospectus.

Eligible PERLS Holders will be sent a Prospectus and yellow personalised Reinvestment Application Form.

Applications for PERLS III

Applications for PERLS III under this Prospectus may only be made during the Offer Period, and on an Application Form attached to, or accompanying, this Prospectus (including an electronic copy). Applications may be made either online at www.commsec.com.au, or by returning the relevant Application Form as detailed in Section 4.

You should read this Prospectus in full before deciding to apply for PERLS III. If, after reading this Prospectus, you are unclear or have any questions about the Offer, then you should consult your financial adviser or other professional adviser.

For information on who is eligible to apply for PERLS III under the Offer and how to make an Application – see page 6 for a summary and Section 4 for full details.

Electronic access to Prospectus and Applications

The following conditions apply if this Prospectus is accessed and/or an Application is made electronically:

- you must download the Prospectus in full from www.commsec.com.au;
- your Application will only be considered where you have applied on an Application Form that accompanied the electronic Prospectus. By making an Application, you declare that you were given access to the electronic Prospectus together with the Application Form and acknowledge and consent to certain other disclosures required by law or by APRA; and
- the Prospectus is available electronically to persons accessing and downloading or printing the electronic version of the Prospectus in Australia.

Eligible PERLS Holders may not apply online for PERLS III under the Reinvestment Offer.

No withdrawal of Application

You cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.

Refunds

If you are allocated less than the number of PERLS III that you applied for, you will receive a refund cheque as soon as possible after the relevant closing date. No interest will be payable on Application Monies.

Trading in PERLS III

It is your responsibility to determine your Allocation before trading in PERLS III to avoid the risk of selling PERLS III you do not own. To assist you in determining your Allocation before the receipt of your Holding Statement, you may call the **PERLS III Information Line on 1800 742 737** (Monday to Friday 8.30 am–5.30 pm). If you sell PERLS III before you receive confirmation of your Allocation, you do so at your own risk.

Providing personal information

You will be asked to provide personal information to the Issuer (directly or via the Registry) if you apply for PERLS III. See Section 11 for information on how the Issuer (and the Registry on its behalf) collects, holds and uses this personal information. You can also obtain a copy of that policy at www.commsec.com.au.

Enquiries

If you have any questions in relation to the Offer, please call the **PERLS III Information Line on 1800 742 737** (Monday to Friday 8.30 am–5.30 pm).

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Summary of Key Dates

Key dates for the PERLS III Offer	Date
Lodgement of Original Prospectus with ASIC	23 February 2006
Bookbuild	2 March 2006
Announcement of Initial Margin	2 March 2006
Opening Date	3 March 2006
Closing date (except for Reinvestment Offer – see below)	29 March 2006
Allotment Date	6 April 2006
Commencement of trading of PERLS III on ASX on deferred settlement basis	7 April 2006
Dispatch of Holding Statements	11 April 2006
Commencement of trading on normal settlement basis	12 April 2006
First Dividend Payment Date	6 July 2006
Step-up Date	6 April 2016

Redemption of PERLS and reinvestment in PERLS III

Announcement of redemption of PERLS	23 February 2006
Opening Date for Eligible PERLS Holders to apply to reinvest in PERLS III	3 March 2006
Record date for Eligible PERLS Holders to apply to reinvest in PERLS III	3 March 2006
Last date for trading of PERLS	20 March 2006
Closing date for Eligible PERLS Holders to apply through the Reinvestment Offer	27 March 2006
Redemption of PERLS	6 April 2006
Allotment Date for Eligible PERLS Holders applying to reinvest in PERLS III	6 April 2006

PERLS dividend information

Ex-date for final dividend on PERLS	16 March 2006
Record date for PERLS Holders to be entitled to final dividend on PERLS	22 March 2006
Payment of final dividend on PERLS	6 April 2006

Dates may change

These dates are indicative only and are subject to change. PCL has the right, in consultation with the Joint Lead Managers, to close the Offer early or extend any of the closing dates without notice or to withdraw the Offer at any time prior to Allotment of PERLS III or to accept late Applications, whether generally or in particular cases. If any of the dates are changed, subsequent dates may also be changed accordingly. You are encouraged to submit your Application as soon as possible after the Opening Date.

Quotation

PCL has applied to the ASX for PERLS III to be quoted on ASX.

Applications

No Applications for PERLS III were processed (and no PERLS III were issued) until seven days after the Original Prospectus was lodged with ASIC. Applications will only be accepted between the Opening Date and the relevant closing date.

Chairman's Letter

Dear Investor,

I am pleased to present you with the opportunity to invest in Perpetual Exchangeable Repurchaseable Listed Shares ("PERLS III"). PERLS III are preference shares in Preferred Capital Limited ("PCL"). Commonwealth Bank of Australia (the "Bank") holds all of the ordinary shares of PCL.

The offer of PERLS III forms part of the Bank's continuing capital management program. The Bank's capital management program targets an efficient capital structure with respect to the amount, type and cost of capital issued by the Bank. In this regard, the Bank will redeem existing PERLS (Preferred Exchangeable Resettable Listed Shares) on 6 April 2006. If you are a PERLS Holder, you have a number of options available to you as set out in Section 2 of this Prospectus. For Eligible PERLS Holders, the options include applying to reinvest the proceeds from the redemption of your PERLS in PERLS III. Please note that PERLS III carry different rights to PERLS – see Section 3 of this Prospectus for further details.

PERLS III offer investors a floating rate return from a combination of cash distributions and franking credits. The Dividend Rate on PERLS III will vary each quarter and will initially be set at 70% of the sum of the Market Rate per annum (which is the Bank Bill Swap Rate) and the Initial Margin (which was determined through the Bookbuild and is 1.05% per annum). Dividends paid on PERLS III are non-cumulative and are expected to be fully franked.

PERLS III have no effective maturity date. However, PCL has the right to exchange PERLS III on or after the Step-up Date on 6 April 2016 for Bank Ordinary Shares or cash. If PCL does not exchange PERLS III by 6 April 2016, the Margin will be increased by a one-time step-up of 1.00% per annum. Investors wanting to realise their investment prior to the Step-up Date can sell their PERLS III on the Australian Stock Exchange at the prevailing market price.

PCL intends to issue at least 4.5 million PERLS III at an Issue Price of \$200 each to raise at least \$900 million and may raise more. The minimum investment is \$5,000 or 25 PERLS III. The minimum investment does not apply to Eligible PERLS Holders applying through the Reinvestment Offer.

Full details of this investment opportunity are set out in this Prospectus and I urge you to read it carefully.

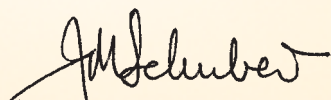
For PERLS Holders, I encourage you to fully consider the options available to you before making your decision.

To apply for PERLS III, you will need to fill out the appropriate Application Form accompanying this Prospectus. Applications can only be made on these forms. If you have any questions about how to apply, information and assistance can be obtained by calling the **PERLS III Information Line on 1800 742 737** (Monday to Friday 8.30 am–5.30 pm). I encourage you to consult your financial adviser or other professional adviser before making an investment decision regarding PERLS III.

The Offer is expected to open on 3 March 2006, and close on 27 March 2006 for Applicants who are applying under the Reinvestment Offer and 29 March 2006 for Applicants who are applying under the Securityholder Offer or the General Offer. However, it is possible that the Offer may close early so if you wish to apply I encourage you to lodge your Application as soon as possible.

I invite you to consider this investment opportunity.

Yours faithfully,



Dr John Schubert

Chairman

Commonwealth Bank of Australia

PERLS III Key Features

Floating Dividend Rate

- The return on this investment is a floating rate return from a combination of cash Dividends and franking credits¹. The return is calculated each quarter as the sum of the Bank Bill Swap Rate per annum plus a Margin per annum
- The Initial Margin was determined through the Bookbuild and is 1.05% per annum
- Assuming the Bank Bill Swap Rate is 5.61%² per annum and the Initial Margin is 1.05% per annum, then the total return including value for franking credits would be 6.66% per annum, and the cash Dividend would be 4.66% per annum calculated by multiplying the total return by (1 – Tax Rate)
- Dividends are payable quarterly in arrears (subject to satisfaction of certain conditions, including availability of profits and the board of PCL resolving to pay a Dividend)
- If PERLS III are not exchanged into Bank Ordinary Shares and/or cash by 6 April 2016, the Initial Margin will be increased by a one-time step up of 1.00% per annum

Preferred Dividends

- Interest on the Convertible Notes issued by the Bank (through its New Zealand branch) to PCL will be the primary source of profits used in paying PERLS III Dividends and will be paid in preference to any dividends paid on Bank Ordinary Shares
- If Dividends are not paid on PERLS III, a Dividend Stopper restricts the Bank from paying distributions or dividends or returning share capital on Bank Ordinary Shares and certain other securities

Issuer exchange for Bank Ordinary Shares or \$200 cash

- PCL may require exchange of PERLS III on the Step-up Date (6 April 2016) or any Dividend Payment Date after the Step-up Date
- On exchange, at PCL's election (and subject to the Election Rules), PERLS III Holders will receive for their PERLS III a number of Bank Ordinary Shares calculated in accordance with the Conversion Number or, subject to APRA approval, \$200 cash for each PERLS III or a combination

Quoted on ASX

- PCL has applied to have PERLS III quoted on ASX
- PCL will refund all Application Monies if PERLS III are not quoted on ASX

PERLS III are different to PERLS and PERLS II

- PERLS III differ in several key respects from PERLS and PERLS II. See Section 3 for further details

Risks

- There are risks involved in an investment in PERLS III. See Section 1 and Section 6 for further details

Credit ratings³

- Standard & Poor's has rated the Bank "AA-" and has indicated it will rate PERLS III "A-"
- Moody's has rated the Bank "Aa3" and has indicated it will rate PERLS III "A2"

Notes:

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

² The Bank Bill Swap Rate on 1 March 2006 was 5.6083% per annum.

³ Issues rated "BBB-" or higher by Standard & Poor's and "Baa3" or higher by Moody's are considered investment grade.

WHAT ARE YOUR OPTIONS AND WHAT DO YOU NEED TO DO?

Are you an Eligible PERLS Holder?

You are an Eligible PERLS Holder if you are a registered holder of PERLS as at 5.00 pm on the record date, which is 3 March 2006, with a registered Australian address. You will also need to meet the general eligibility requirements outlined in Sections 4 and 11.4.

If you are an Eligible PERLS Holder, your options are outlined below:

Action	What is required	Closing date
Sell PERLS on-market through your broker	Instruct your broker	20 March 2006
Apply to reinvest PERLS redemption proceeds in PERLS III, and, if you choose, apply for additional PERLS III under the Reinvestment Offer or Broker Firm Offer	Complete yellow personalised Reinvestment Application Form	27 March 2006
Do nothing / PERLS are redeemed by the Bank	Nothing	Not applicable

If you choose to apply for PERLS III under the Reinvestment Offer you will receive a firm Allocation of PERLS III for the value of PERLS III applied for to a maximum of 50 PERLS III (\$10,000), and for any PERLS III you apply for above 50 PERLS III (\$10,000), you will be given priority over Applicants under the Securityholder Offer and the General Offer if there is excess demand for PERLS III.

You may choose to apply through your broker where it may be possible for you to receive a broker firm Allocation of PERLS III in excess of 50 PERLS III (\$10,000). See "Broker firm" under "Applying for PERLS III" below.

See Section 2 "Redemption of PERLS and reinvestment in PERLS III" for further details of your options.

Are you a Non Eligible PERLS Holder?

You are a Non Eligible PERLS Holder if you are a registered holder of PERLS who does not satisfy the definition of an Eligible PERLS Holder (e.g. because you bought your PERLS after the record date or because you do not have a registered Australian address).

If you are a Non Eligible PERLS Holder, your options are outlined below:

Action	What is required	Closing date
Sell PERLS on-market through your broker	Instruct your broker	20 March 2006
Apply for PERLS III through the General Offer, Securityholder Offer or Broker Firm Offer ¹	Complete white General Application Form	29 March 2006
Do nothing/PERLS are redeemed by the Bank	Nothing	Not applicable

Note:

¹ To apply for PERLS III you will need to meet the general eligibility requirements outlined in Sections 4 and 11.4. The Securityholder Offer is available if you are an Eligible Securityholder (see "If you hold PERLS II or Bank Ordinary Shares" under "Applying for PERLS III").

If you are a Non-Eligible PERLS Holder and you choose to apply for PERLS III you should complete the white General Application Form accompanying this Prospectus or apply online at www.commsec.com.au. You will still need to meet the general eligibility requirements outlined in Sections 4 and 11.4.

If you apply for PERLS III under the Securityholder Offer, you will receive priority over General Applicants, but after Eligible PERLS Holders and Applicants under the Broker Firm Offer, if there is excess demand for PERLS III. You will also be required to provide your HIN or your SRN for your holding of PERLS II or Bank Ordinary Shares. If you are not an Eligible PERLS Holder or Eligible Securityholder you will not be entitled to a priority over other Applicants if you apply under the General Offer.

You may choose to apply through your broker, where it may be possible to receive a firm Allocation of PERLS III. See "Broker firm" under "Applying for PERLS III" on the next page.

See Section 2 "Redemption of PERLS and reinvestment in PERLS III" for further details of your options.

Applying for PERLS III

If you wish to apply for PERLS III, you should read this Prospectus (including the risk factors in Section 6) and if you are unclear in relation to any matter or uncertain if PERLS III are a suitable investment, you should consult your financial adviser or other professional adviser.

If you are an Eligible PERLS Holder

If you are an Eligible PERLS Holder you may apply for PERLS III under the Reinvestment Offer by completing your yellow personalised Reinvestment Application Form.

You may also apply for PERLS III under the Broker Firm Offer by contacting your broker.

For further details see “Information for PERLS Holders” and Section 2 “Redemption of PERLS and reinvestment in PERLS III”.

If you hold PERLS II or Bank Ordinary Shares

If you are a registered holder of PERLS II or Bank Ordinary Shares, with a registered Australian address, you are an Eligible Securityholder.

If you are an Eligible Securityholder you may apply for PERLS III under the Securityholder Offer by completing the white General Application Form accompanying this Prospectus and ticking the box marked “I/We am/are an Eligible Securityholder”. Eligible Securityholders may also apply for PERLS III under the Securityholder Offer over the internet – you will need to go to CommSec’s website at www.commsec.com.au and follow the instructions. You will need to supply your SRN or HIN.

If you apply under the Securityholder Offer, you will receive priority over General Applicants if there is excess demand for PERLS III.

You may also apply for PERLS III under the Broker Firm Offer by contacting your broker.

Broker firm

If you are a broker firm Applicant, you should contact your broker for instructions on how to submit your Application Form. This includes Eligible PERLS Holders who wish to reinvest their PERLS redemption proceeds in PERLS III and apply for additional PERLS III through the Broker Firm Offer.

See “Broker Firm Offer” in Section 2 and Section 4 and “Applying under the Broker Firm Offer” in Section 4.

Other Applicants

If you are not an Eligible PERLS Holder or an Eligible Securityholder you may apply for PERLS III through the General Offer by completing the white General Application Form or by applying online at www.commsec.com.au.

If you have any questions on how to apply for PERLS III then you should consult Section 4 for further information or call the PERLS III Information Line on 1800 742 737 (Monday to Friday 8.30 am–5.30 pm).

Closing Date

Applications from Eligible PERLS Holders under the Reinvestment Offer are expected to close on 27 March 2006. The Securityholder Offer, the General Offer and the Broker Firm Offer are each expected to close on 29 March 2006. The Offer may close early. Therefore, if you wish to apply for PERLS III you should submit your Application as soon as possible after the Offer opens.

All Application Forms must be received by the Registry no later than 5.00 pm on the relevant closing date.

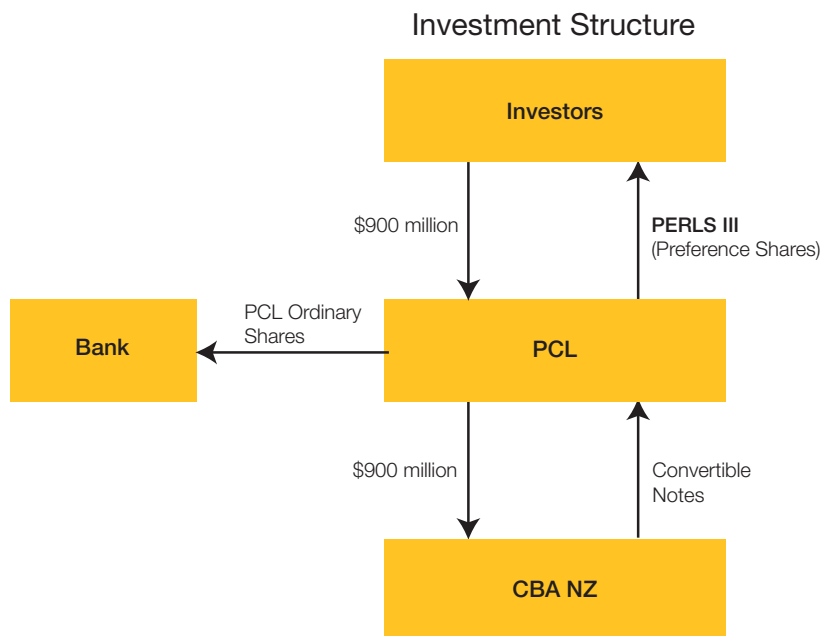
Section 1

Summary of PERLS III

Section 1 Summary of PERLS III

Through the Offer, PCL proposes to raise at least \$900 million with the ability to raise more.

The diagram below sets out the Offer structure. PCL will issue PERLS III to investors, and use the proceeds to invest in Australian dollar denominated Convertible Notes to be issued by the Bank through its New Zealand branch (“CBA NZ”):



Note: If the Offer is oversubscribed and PCL elects to accept oversubscriptions, the proceeds of the Offer will be greater than \$900 million.

Set out below is a summary of the key terms and conditions of PERLS III. A summary of the key features of PERLS III, PERLS II and PERLS can be found in Section 3 under “How are PERLS III different to PERLS and PERLS II?”. This information is a summary only, and should be read in conjunction with other information contained in this Prospectus, in particular, the risks of investing in PERLS III in Section 6 and the detailed PERLS III Terms of Issue included in Appendix A.

Securities	Perpetual Exchangeable Repurchaseable Listed Shares (“PERLS III”) being preference shares in PCL, a special purpose company.
Issuer	PCL, a special purpose company, the ordinary shares of which are held by the Bank.
Issue Amount	At least \$900 million with the ability to raise more.
Term	Perpetual (see “Are PERLS III perpetual?” in Section 3).
Issue Price/Face Value	\$200
Dividends	<p>The Dividend on each PERLS III payable for each Dividend Period is equal to:</p> $\frac{\text{Face Value} \times \text{Dividend Rate} \times \text{Days in Dividend Period}}{365}$ <p>Dividends are non-cumulative and are payable quarterly in arrears.</p> <p>The Dividends paid to PERLS III Holders will be primarily sourced from interest paid on the Convertible Notes issued by CBA NZ to PCL. The payment of interest on the underlying Convertible Notes and Dividends on PERLS III are not guaranteed and are subject to a number of conditions including the availability of profits and the board (of the Bank in relation to Convertible Note interest, or of PCL in relation to PERLS III Dividends) resolving to make the payment (see “Will Dividends always be paid?” in Section 3).</p>
Dividend Rate	The Dividend Rate is a floating rate calculated for each Dividend Period as the sum of the Margin per annum plus the Market Rate per annum multiplied by (1 – Tax Rate). The Tax Rate is 30% at the date of this Prospectus.

Section 1 Summary of PERLS III

Market Rate	The Market Rate is the Bank Bill Swap Rate applying on the first Business Day of each Dividend Period.
Margin	<p>The Margin is equal to:</p> <ul style="list-style-type: none"> the Initial Margin of 1.05% per annum, until, but excluding, the Step-up Date; and the Step-up Margin per annum (which is the Initial Margin plus 1.00% per annum) from, and including, the Step-up Date.
Franking	Dividends are expected to be fully franked. If a Dividend is not fully franked, the Dividend amount is grossed-up by a cash amount to compensate for the unfranked amount.
Dividend Stopper	<p>If each PERLS III Holder is not paid a dividend in full within 20 Business Days of the Dividend Payment Date, the Bank is prevented from paying any interest, dividends or distributions, or undertaking certain other transactions, in relation to Bank Ordinary Shares, PERLS II Securities, Trust Preferred Funding Securities and any securities of the Bank that rank or are expressed to rank for interest payments or distributions equally with, or junior to, the Convertible Notes or Bank PERLS III Preference Shares. This Dividend Stopper applies until an amount in aggregate equal to the full dividend (or the unpaid amount of the full dividend) on PERLS III and/or Bank PERLS III Preference Shares (as applicable) for 4 consecutive dividend periods has been paid to PERLS III Holders, or a Special Resolution of PERLS III Holders authorising the relevant payment or transaction is approved.</p> <p>There are some exceptions to these Dividend Stopper restrictions. See clause 3.10 of the PERLS III Terms of Issue included in Appendix A.</p>
Automatic Exchange for Bank PERLS III Preference Shares	<p>PERLS III will automatically exchange for Bank PERLS III Preference Shares:</p> <ul style="list-style-type: none"> on a failure by PCL to pay a Dividend within 20 Business Days of a Dividend Payment Date; at any time at the Bank's discretion; or 10 Business Days before the Conversion Date <p>(see "What are Bank PERLS III Preference Shares?" in Section 3).</p>
PCL Exchange for Bank Ordinary Shares	<p>Subject to APRA approval, PCL may elect to exchange PERLS III for the Conversion Number of Bank Ordinary Shares or \$200 cash for each PERLS III:</p> <ul style="list-style-type: none"> on the Step-up Date or any Dividend Payment Date after the Step-up Date (in relation to some or all PERLS III); or if a Regulatory Event or Tax Event occurs (only in relation to all PERLS III).
Automatic Exchange for Bank Ordinary Shares	<p>PERLS III will automatically exchange for Bank Ordinary Shares if:</p> <ul style="list-style-type: none"> an APRA Event occurs (which includes where APRA has determined that the Bank has failed to comply with capital adequacy ratios or has requested the Bank to increase its capital or has appointed a statutory manager to the Bank or the Bank's retained earnings fall below zero); a Default Event occurs (which includes insolvency events relating to the Bank or the Bank making a payment in violation of the Dividend Stopper); or a Change of Control Event occurs.
Conversion Number	<p>The number of Bank Ordinary Shares to be issued for each PERLS III being exchanged will be the lesser of the Maximum Conversion Number and the number of Bank Ordinary Shares calculated by dividing the Face Value by the amount determined by multiplying the average of the daily volume weighted average sale prices of Bank Ordinary Shares traded on ASX during the 20 Business Days (excluding days on which trading of Bank Ordinary Shares is suspended or does not take place) immediately preceding the relevant Exchange Date by (1 – Discount Factor). The Discount Factor will be 0.025 (2.5%).</p>

Section 1 Summary of PERLS III

Maximum Conversion Number	100, subject to adjustment in accordance with the PERLS III Terms of Issue. See clauses 7.5–7.8 of the PERLS III Terms of Issue included in Appendix A.
Ranking	<p>PERLS III are not bank deposits or debt instruments of the Bank or any subsidiary of the Bank, although the Convertible Notes that will provide the primary source of profits to pay PERLS III Dividends, are issued by CBA NZ and rank equally with the PERLS II Convertible Notes.</p> <p>PERLS III will in effect rank equally with PERLS II and Trust Preferred Securities (and any other securities of the Bank that rank or are expressed to rank equally with the Convertible Notes or Bank PERLS III Preference Shares for interest payments or distributions) and ahead of Bank Ordinary Shares for payment of distributions out of the profits of the Bank.</p> <p>On a winding up of the Bank, PERLS III will in effect rank equally with Bank Ordinary Shares. The rights of Bank Ordinary Shareholders to receive a return of capital on a winding up of the Bank rank after the claims of creditors (including deposit holders) of the Bank and holders of preferred securities (such as preference shares issued on conversion of the Trust Preferred Securities).</p> <p>The Bank may issue securities that rank ahead of, equally with or behind PERLS III, Convertible Notes or Bank PERLS III Preference Shares for distributions, dividends or interest or payment of capital on a winding up, without the approval of PERLS III Holders.</p>
Listing	Application has been made to ASX to have PERLS III listed.
Risks	<p>There are general risks associated with investing in PERLS III, as well as risks associated with PCL and the Bank. Important risks are outlined in Section 6. Some of these are:</p> <ul style="list-style-type: none">• Market price and liquidity – the market price of PERLS III may fluctuate and there is a risk that PERLS III may trade below the Issue Price. In addition, the market for PERLS III is likely to be less liquid than the market for Bank Ordinary Shares, and you may be unable to sell PERLS III at an acceptable price, or at all;• Dividends – the risk that Dividends on PERLS III will not be paid;• Dividend Rate – as the Dividend Rate on PERLS III fluctuates with the Market Rate, there is a risk that the Dividend Rate will become less attractive compared to the rate of return on comparable securities; and• Exchange – if your PERLS III are exchanged, there is a risk that the applicable exchange consideration may be disadvantageous to you in light of factors such as market conditions, individual circumstances and timing of exchange. <p>See Section 6 for further detail of these and other risks.</p> <p>You should read the whole of this Prospectus carefully. If you are unclear in relation to any matter or uncertain if PERLS III are a suitable investment, you should consult your financial adviser or other professional adviser.</p>

Enquiries

If you require assistance to complete the relevant Application Form, or require additional copies of this Prospectus, you should contact the **PERLS III Information Line on 1800 742 737 (Monday to Friday 8.30 am–5.30 pm)**.

By submitting a valid Application Form, the Applicant acknowledges having received and read this Prospectus.

Section 2

Redemption of PERLS and reinvestment in PERLS III

Section 2 Redemption of PERLS and reinvestment in PERLS III

This Section contains important information regarding the options available to PERLS Holders in relation to the redemption of their PERLS. This summary should be read in conjunction with the other information contained in this Prospectus. PERLS Holders should seek professional advice from their financial adviser or other professional adviser in relation to the redemption of their PERLS and the reinvestment of their redemption proceeds in PERLS III.

Why is the Bank redeeming PERLS?

In April 2001, the Bank issued \$700 million of Preferred Exchangeable Resettable Listed Shares (PERLS) as part of its ongoing capital management program. The PERLS Prospectus includes terms that allow the Bank to repurchase PERLS at the first rollover date on 6 April 2006.

The Bank's capital management program targets an efficient capital structure with respect to the amount, type and cost of capital issued by the Bank. In this regard, the Bank will redeem PERLS on 6 April 2006.

Accordingly, on 6 April 2006 the Bank will pay in cash the redemption proceeds of \$200 face value for each PERLS, to PERLS Holders registered on that date.

In conjunction with the redemption of PERLS, the Bank is undertaking a further raising of capital under the offer of PERLS III as set out in this Prospectus.

If you are a PERLS Holder, the Bank invites you to consider whether to apply to have the redemption proceeds of your PERLS reinvested in PERLS III as set out in further detail below. You also have a number of other options which are set out in further detail below.

What are PERLS III?

PERLS III are preference shares in PCL, a special purpose company, the ordinary shares of which are held by the Bank, and PERLS III is an abbreviation of Perpetual Exchangeable Repurchaseable Listed Shares. PERLS III entitle PERLS III Holders to Dividends that are expected to be fully franked.

The Dividends payable to PERLS III Holders are expected to be primarily sourced from interest paid on Convertible Notes issued by CBA NZ to PCL. PCL will hold one Convertible Note for each PERLS III issued (see Section 3 under "What is the source of PCL's income?"). Dividends will be payable quarterly in arrears. In certain circumstances, Dividends may not be payable including where profits are not available (see Section 3 under "Will Dividends always be paid?").

Are PERLS III the same as PERLS?

PERLS III are not the same as PERLS. Some of the key differences between PERLS III and PERLS are set out in Section 3 under "How are PERLS III different to PERLS and PERLS II?".

In particular, the initial Dividend Rate on PERLS III will be lower than the dividend rate currently applicable to PERLS.

Am I an Eligible PERLS Holder?

To be an Eligible PERLS Holder you must be a registered holder of PERLS as at 5.00 pm, on the record date, which is 3 March 2006, with a registered Australian address. You will also need to meet the general eligibility requirements outlined in Sections 4 and 11.4.

What are the options for Eligible PERLS Holders?

Option 1. Reinvest PERLS redemption proceeds in PERLS III (and, if you choose, apply for additional PERLS III)

Reinvestment Offer

If you are an Eligible PERLS Holder, you may apply to have the \$200 face value payable on redemption of some or all of your PERLS held as at the record date on 3 March 2006 reinvested in PERLS III by electing to participate in the Reinvestment Offer. If you choose this option, no brokerage fees will be payable.

If you apply to reinvest all of your PERLS, you may also apply for additional PERLS III above the value of your PERLS holding as at the record date on 3 March 2006. If you do this, you must provide a cheque and/or money order for the additional Application amount.

If you wish to apply for PERLS III, under the Reinvestment Offer, you should complete your yellow personalised Reinvestment Application Form as follows:

- to apply to have the redemption proceeds of all of your PERLS held as at the record date on 3 March 2006 reinvested in PERLS III, mark box B "Apply to reinvest the redemption proceeds of **ALL** of your existing PERLS in PERLS III";
- if you apply to have the redemption proceeds of all your PERLS held as at the record date on 3 March 2006 reinvested in PERLS III by marking box B, you may also apply for additional PERLS III. Specify the amount and number of any additional PERLS III you wish to apply for in box C "Apply for additional PERLS III"; and

Section 2 Redemption of PERLS and reinvestment in PERLS III

- to apply to have the redemption proceeds of some of your PERLS held as at the record date on 3 March 2006 reinvested in PERLS III, specify the amount and number of your PERLS which you wish to be applied to the Reinvestment Offer in box D “Apply to reinvest the redemption proceeds of **SOME** of your existing PERLS in PERLS III”. The redemption proceeds on any PERLS you hold on 6 April 2006 that are not reinvested in PERLS III will be paid to you in cash on 6 April 2006.

If you apply to have the redemption proceeds of PERLS reinvested in PERLS III, it is your responsibility to ensure that you do not dispose of any of those PERLS. If you do, the value of PERLS III you may be allocated will be reduced to the extent that redemption proceeds or Application Monies are not available. If you acquire PERLS after the record date on 3 March 2006, you will not be entitled to apply to have the redemption proceeds of those PERLS reinvested in PERLS III under the Reinvestment Offer.

If you apply for PERLS III under the Reinvestment Offer you will receive a firm Allocation for the number of PERLS III you have applied for up to a maximum of 50 PERLS III (\$10,000), and for any number in excess of 50 PERLS III (\$10,000) for which you apply under the Reinvestment Offer, you will be given priority over Applicants under the Securityholder Offer and the General Offer. If there is excess demand for PERLS III and you are not allocated all of the PERLS III you applied for, any redemption proceeds to which you are entitled on your PERLS held on 6 April 2006, that are not applied for reinvestment in PERLS III, will be paid to you in cash on 6 April 2006.

The two examples below illustrate this Allocation process:

- An investor holds 100 PERLS (\$20,000) on the record date and wishes to apply for 75 PERLS III (\$15,000) through the Reinvestment Offer. The investor will:
 - receive a firm Allocation of 50 PERLS III (\$10,000);
 - have priority over Applicants under the Securityholder Offer and the General Offer for the remaining 25 PERLS III (\$5,000) applied for; and
 - have the remaining redemption proceeds of \$5,000 returned to him in cash.
- An investor holds 100 PERLS (\$20,000) on the record date and wishes to apply for 125 PERLS III (\$25,000) through the Reinvestment Offer. The investor will:
 - receive a firm Allocation of 50 PERLS III (\$10,000);

- have priority over Applicants under the Securityholder Offer and the General Offer for the remaining 75 PERLS III (\$15,000) applied for; and
- be required to include cheque(s) and/or money order(s) for \$5,000 with his Application.

Completed yellow personalised Reinvestment Application Forms should be returned to the Registry by 5.00 pm on 27 March 2006.

Broker Firm Offer

If you have received a broker firm Allocation you can use the redemption proceeds of your PERLS to apply for PERLS III using your broker firm Allocation. To do this, you should return your yellow personalised Reinvestment Application Form to your broker in accordance with their instructions. If you use your personalised Reinvestment Application Form to apply for your broker firm Allocation of PERLS III, you will not also be entitled to receive a firm or priority Allocation under the Reinvestment Offer.

If you apply to have the redemption proceeds of PERLS reinvested in PERLS III, it is your responsibility to ensure that you do not dispose of any of those PERLS. If you do, the value of PERLS III you may be allocated will be reduced to the extent that redemption proceeds or Application Monies are not available. If you acquire PERLS after the record date on 3 March 2006, you will not be entitled to apply to have the redemption proceeds of those PERLS reinvested in PERLS III under the Reinvestment Offer.

Option 2. Sell PERLS on-market through your broker

You may choose to sell your PERLS on-market for cash through your stockbroker at the prevailing market price.

To choose this option you should contact your stockbroker. If you choose this option the price you receive for your PERLS may be greater or less than \$200 per PERLS. You may also be required to pay brokerage fees to your stockbroker. The last date for trading of PERLS is expected to be 20 March 2006, after which trading in PERLS will cease.

You may also apply for PERLS III under the Securityholder Offer¹, General Offer or the Broker Firm Offer. If you apply under the Securityholder Offer, you will receive priority over General Applicants, but after Eligible PERLS Holders and Applicants under the Broker Firm Offer, if there is excess demand for PERLS III. You will also be required to provide your HIN or your SRN for your holding of PERLS II or Bank Ordinary Shares. If you are not an Eligible PERLS Holder or

Section 2 Redemption of PERLS and reinvestment in PERLS III

Eligible Securityholder and you do not apply under the Broker Firm Offer, you will not be entitled to a priority over other Applicants and you can only apply under the General Offer.

Note:

¹ Available if you are an Eligible Securityholder (see "If you hold PERLS II or Bank Ordinary Shares" under "Applying for PERLS III").

Option 3. Do nothing/PERLS are redeemed by the Bank

If you choose to do nothing each of your PERLS held at 6 April 2006 will be redeemed by the Bank for the face value of \$200 on 6 April 2006 and the proceeds paid to you in cash.

What are the options for Non Eligible PERLS Holders?

Non Eligible PERLS Holders are PERLS Holders who are not Eligible PERLS Holders (for example, those who were not on the register at the record date or are registered with a non-Australian address). Non Eligible PERLS Holders are limited to two of the available options described above in relation to their PERLS:

- sell PERLS on-market through your broker (Option 2); or
- do nothing/PERLS are redeemed by the Bank (Option 3).

If you choose to do nothing, each of your PERLS held at 6 April 2006 will be redeemed by the Bank for the face value of \$200 on 6 April 2006 and the proceeds paid to you in cash.

Non Eligible PERLS Holders will not be entitled to participate in the Reinvestment Offer. However, you may apply for PERLS III under the General Offer or Broker Firm Offer, although some restrictions apply as set out in Section 11.4.

What are the taxation implications of having my PERLS redeemed?

PERLS Holders should obtain their own taxation advice, as the tax implications of the redemption of PERLS and participation in the Reinvestment Offer will depend on your individual circumstances. A general outline of the tax implications for certain investors who are Australian residents can be found in Section 9. If you are not an Australian resident you should seek your own professional taxation advice.

Is brokerage or stamp duty payable?

No brokerage or stamp duty is payable on the redemption or reinvestment of PERLS.

PERLS Holders who choose to sell their PERLS on-market through their stockbroker will be required to pay applicable brokerage.

Will I receive the final dividend on my PERLS?

If you are a registered PERLS Holder on 22 March 2006, you will receive a dividend for the current dividend period ending 5 April 2006 of \$2.7904 per PERLS held on 22 March 2006. The dividend will be paid on 6 April 2006.

Can I choose to continue to hold my PERLS?

No. The Bank has elected to redeem all PERLS on 6 April 2006 for the \$200 face value for each PERLS, so PERLS will no longer be on issue.

Is my priority under the Offer transferable?

No. You may not transfer to any other person any priority you may have under the Reinvestment Offer. Only Eligible PERLS Holders will be able to apply in the Reinvestment Offer, in the same name as their PERLS holding is registered.

What happens if the PERLS III issue does not proceed?

If you have applied to reinvest your PERLS redemption proceeds in PERLS III and the issue of PERLS III does not proceed, the Reinvestment Offer will no longer be available and the \$200 proceeds of the redemption of each of your PERLS held on 6 April 2006 will be paid to you in cash. If the PERLS III issue does not proceed, any Application Monies you have provided to apply for additional PERLS III will be refunded to you. No interest will be payable on redemption proceeds or other Application Monies.

Section 3

Key questions about PERLS III

Section 3 Key questions about PERLS III

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

What are PERLS III?

PERLS III are preference shares in PCL, a special purpose company, the ordinary shares of which are held by the Bank, and PERLS III is an abbreviation of Perpetual Exchangeable Repurchaseable Listed Shares. PERLS III entitle PERLS III Holders to Dividends that are expected to be fully franked.

The Dividends payable to PERLS III Holders are expected to be primarily sourced from interest paid on Convertible Notes issued by CBA NZ to PCL. PCL will hold one Convertible Note for each PERLS III issued (see “What is the source of PCL’s income?”). Dividends will be payable quarterly in arrears. In certain circumstances, Dividends may not be payable, including where profits are not available or the board of PCL does not resolve to pay a Dividend (see “Will Dividends always be paid?” on page 18).

What is PCL and who is issuing PERLS III?

PCL has been established by the Bank and has the sole purpose of issuing PERLS III and investing in the Convertible Notes or securities issued on conversion of the Convertible Notes.

What is the Offer?

The Offer is for the issue of at least 4.5 million PERLS III at an Issue Price of \$200 each to raise at least \$900 million with the ability to raise more.

What will PCL do with the proceeds of the Offer?

PCL will invest the funds from the Offer in Convertible Notes issued by CBA NZ. This transaction will deliver the proceeds of the Offer to the Bank, which the Bank will use to satisfy Tier 1 Capital requirements.

What is the source of PCL’s income?

The income of PCL is expected to be primarily sourced from interest paid on Convertible Notes issued by CBA NZ. Although the Bank expects to be able to meet its interest obligations on the Convertible Notes, this interest may not be sufficient to pay Dividends in full on PERLS III. If the interest paid on the Convertible Notes is insufficient, or PCL’s profits are otherwise insufficient for a Dividend on PERLS III to be paid in full, the Bank may, at its discretion, pay an additional amount to PCL under the Top-up Deed to enable PCL to pay a Dividend on PERLS III.

Any remaining profits that are available for distribution by PCL in respect of each Dividend Period, after payment of the Dividend on PERLS III, must be paid to the Bank as a dividend on PCL Ordinary Shares.

What are the Bank’s obligations in relation to PERLS III?

PERLS III are not deposits with, or securities of, the Bank. The Bank is required to pay interest on the Convertible Notes underlying PERLS III subject to the terms and conditions of the Convertible Note Deed and may pay additional amounts under the Top-up Deed. Payment of interest on the Convertible Notes and Dividends on PERLS III are not guaranteed and are subject to a number of conditions, including the availability of profits and the board (of the Bank in relation to Convertible Note interest, or of PCL in relation to PERLS III Dividends) resolving to make the relevant payment (see “Will Dividends always be paid?” on page 18). Upon exchange of PERLS III, the Bank is required to acquire PERLS III in exchange for providing the PERLS III Holder with either Bank Ordinary Shares, Bank PERLS III Preference Shares, cash or a combination of Bank Ordinary Shares and cash (as applicable).

Are PERLS III independently rated?

PERLS III will, on issue, be assigned an issue credit rating of ‘A-’ by Standard & Poor’s and ‘A2’ by Moody’s. Any issue credit rating of ‘BBB-’ or higher from Standard & Poor’s or ‘Baa3’ or higher from Moody’s is currently considered ‘Investment Grade’.

When will Dividends be paid?

Dividends on PERLS III are payable quarterly in arrears subject to certain conditions being satisfied (see “Will Dividends always be paid?”) on the following dates (or the next Business Day) each year:

- 6 January
- 6 April
- 6 July
- 6 October

The first Dividend Period will commence on the Allotment Date and end on the day prior to the First Dividend Payment Date, being 6 July 2006.

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

To be entitled to a Dividend, PERLS III Holders must be recorded on the PERLS III register on the record date for that Dividend. The record date is the day which is 11 Business Days prior to the relevant Dividend Payment Date, unless otherwise notified to ASX.

Will the Dividends be franked?

The Bank expects that Dividends on PERLS III will be fully franked. However, Dividends payable on PERLS III may or may not be fully franked. If a Dividend is not fully franked, the Dividend will be increased to compensate PERLS III Holders for the unfranked portion of the Dividend. If a Dividend that is not fully franked is not increased, the Bank will be restricted in making dividend payments and distributions and returning capital on Bank Ordinary Shares and certain other securities issued by the Bank (see “What happens if Dividends on PERLS III are not paid in full?” on page 19).

How will the Dividend Rate be calculated?

The Dividend Rate is a floating rate and will be set on the first Business Day of each Dividend Period by applying a Margin per annum to the Market Rate per annum (which is the Bank Bill Swap Rate on that date) and multiplying the

sum by $(1 - \text{Tax Rate})$. The Tax Rate is currently 30%. The Initial Margin has been determined through the Bookbuild and was set at 1.05% per annum. The Initial Market Rate for the first Dividend Period will be the Bank Bill Swap Rate on the Allotment Date. As an example, if the Initial Market Rate on the Allotment Date was the same as on 1 March 2006, the Dividend Rate for the first Dividend Period would be calculated as follows:

Initial Market Rate

(i.e. Bank Bill Swap Rate
at 1 March 2006)

5.6083% p.a.

Plus Initial Margin

1.0500% p.a.

6.6583% p.a.

Multiplied by $(1 - \text{Tax Rate})$

0.70

Dividend Rate (first Dividend Period)

4.6608% p.a.*

*The Dividend Rate above is illustrative only and does not indicate the actual Dividend Rate.

How will the Dividend amount be calculated?

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

$$\frac{\text{Dividend Rate} \times \text{Face Value} \times \text{days in Dividend Period}}{365}$$

As an example, if the Dividend Rate was 4.6608% per annum, as calculated above, the Dividend for the first Dividend Period would be calculated as follows:

Face Value \$200.00

Multiplied by the Dividend Rate

(see calculation above)

4.6608%

Multiplied by the number of days in the Dividend Period

91

Divided by the number of days in a year

365

Dividend (first Dividend Period)

\$2.3240*

*The Dividend above is illustrative only and does not indicate the actual Dividend.

Section 3 Key questions about PERLS III

What is the Bank Bill Swap Rate?

The Bank Bill Swap Rate is the primary per annum benchmark interest rate for the Australian money market commonly used by major Australian banks to lend short-term cash to each other over a 90-day period. The Bank Bill Swap Rate changes to reflect the supply and demand within the cash and currency markets. On 1 March 2006, the Bank Bill Swap Rate was 5.6083%. The Bank Bill Swap Rate has varied between 4.18% per annum and 20.15% per annum since July 1983.

Will the Margin change over time?

If PERLS III are not exchanged for Bank Ordinary Shares or cash by PCL on the Step-up Date, the Margin will increase by a one time step-up of 1.00% per annum to the Step-up Margin. This will, in effect, step up the Dividend Rate by this amount multiplied by $(1 - \text{Tax Rate})$.

Will Dividends always be paid?

PCL expects to pay dividends provided:

- the Bank pays interest on the Convertible Notes in accordance with the Convertible Note Deed and/or makes a payment under the Top-up Deed;
- the board of PCL resolves to pay a Dividend; and
- the Corporations Act and any other law does not prohibit PCL paying the Dividend (including, under current law, that there are profits legally available for the payment of Dividends).

Interest on the Convertible Notes will only be paid by the Bank if:

- the board of the Bank declares, or otherwise resolves to pay, the relevant amount. Circumstances where the board will not declare, or otherwise resolve to pay, the relevant amount include where the board is of the opinion that:
 - the Bank is not able, or payment would cause it not to be able, to pay all its debts as and when they become due and payable; or
 - payment would cause a breach of any APRA Guidelines (unless APRA has given its approval); and

- none of the following conditions exists at the Business Day prior to the relevant Interest Payment Date:
 - APRA has objected to the proposed payment;
 - the payment would result in the Risk Based Capital Ratio or the Tier 1 Capital Ratio of the Bank (on a Level 1 basis as described by APRA) or the Group (on a Level 2 basis as described by APRA) not complying with APRA Guidelines (unless APRA otherwise gives its approval);
 - APRA has stated that the payment would result in PERLS III no longer being treated as Tier 1 Capital of the Bank; or
 - there is an Insufficient Distributable Profits Circumstance, which means that the interest payable on the Convertible Notes would exceed Distributable Profits.

Similar tests will apply to the payment by the Bank of amounts under the Top-up Deed.

What is the ranking of Dividends on PERLS III?

PERLS III in effect rank:

- equally with the holders of PERLS II and Trust Preferred Securities (and any securities of the Bank that rank or are expressed to rank equally with the Convertible Notes or Bank PERLS III Preference Shares for interest payments or distributions); and
 - ahead of Bank Ordinary Shareholders;
- for distributions out of the profits of the Bank.

What happens if Dividends on PERLS III are not paid in full?

If the Bank does not pay interest on the Convertible Notes in accordance with the Convertible Note Deed and/or make a payment under the Top-up Deed, PCL may be unable to pay Dividends in full on PERLS III. A Dividend on PERLS III may also not be paid if the board of PCL does not resolve to pay the Dividend or if the Corporations Act and any other law prohibits PCL paying the Dividend (including, under current law, because there are insufficient profits legally available for the payment of Dividends).

Dividends on PERLS III are non-cumulative. Therefore, if a Dividend is not paid in full for any Dividend Period, a PERLS III Holder will not receive that Dividend unless PCL, subject to APRA approval, causes the Dividend to be made up.

If Dividends on PERLS III are not paid in full within 20 Business Days of the relevant Dividend Payment Date:

- PERLS III will exchange into Bank PERLS III Preference Shares, and PERLS III Holders will subsequently source Dividends from Bank PERLS III Preference Shares (see “What are Bank PERLS III Preference Shares?” on page 22); and
- the Dividend Stopper will prevent the Bank paying interest, distributions or dividends on, or repurchasing, Bank Ordinary Shares or certain other securities (see “What is the Dividend Stopper?” below).

If PERLS III have been exchanged for Bank PERLS III Preference Shares and a Dividend on Bank PERLS III Preference Shares is not paid in full, the Dividend Stopper will also apply.

What is the Dividend Stopper?

The Dividend Stopper prevents the Bank from paying interest, dividends and distributions and undertaking certain other transactions in relation to certain of the Bank's securities. The Dividend Stopper will apply if a Dividend is not paid on PERLS III in full within 20 Business Days of the Dividend Payment Date (subject to certain exceptions). If PERLS III have been exchanged for Bank PERLS III Preference Shares (see “When will PERLS III be automatically exchanged for Bank PERLS III Preference Shares?” on page 22), the Dividend Stopper will apply if a dividend on Bank PERLS III Preference Shares is not paid in full within 20 Business Days of the Dividend Payment Date (subject to certain exceptions).

If the Dividend Stopper applies, the Bank will not be permitted (subject to certain exceptions) to pay interest, declare or pay dividends or distributions, return any capital or undertake any buybacks, redemptions or repurchases in relation to Bank Ordinary Shares, PERLS II Securities, Trust Preferred Funding Securities and any of the Bank's securities that rank or are expressed to rank for interest payments, dividends or distributions equally with, or junior to, the Bank PERLS III Preference Shares or the Convertible Notes unless and until:

- an amount is paid in aggregate equal to the full Dividend for the preceding four consecutive dividend periods by the Bank as dividends on Bank PERLS III Preference Shares and/or by PCL as Dividends on PERLS III;
- an amount is paid in aggregate equal to the unpaid amount of the dividends on PERLS III and/or Bank PERLS III Preference Shares for the preceding four consecutive dividend periods; or
- a Special Resolution authorising the payment, capital return, buyback, redemption or repurchase is approved by PERLS III Holders or Bank PERLS III Preference Share holders (as applicable).

The main exceptions, which are payments the Bank is permitted to make even if the Dividend on PERLS III and/or Bank PERLS III Preference Shares is not paid in full, include pro rata payments on the Convertible Notes underlying PERLS III and/or the Bank PERLS III Preference Shares (as applicable) and securities of the Bank that rank or are expressed to rank for interest payments, dividends or distributions equally with the Bank PERLS III Preference Shares or Convertible Notes.

Section 3 Key questions about PERLS III

What are the risks of investing in PERLS III?

There are particular risks associated with investing in PERLS III, as well as general risks associated with PCL and the Bank. Important risks are set out in Section 6.

What happens on the Step-up Date?

On the Step-up Date, PCL can choose to exchange all or some PERLS III for Bank Ordinary Shares or cash (subject to APRA approval), or a combination of Bank Ordinary Shares and cash. (See “What is an exchange?” below.)

If PCL does not elect to exchange PERLS III for Bank Ordinary Shares and/or cash on the Step-up Date, the Margin will change to the Step-up Margin, increasing by a one time step-up of 1.00% per annum.

What is an exchange?

In certain circumstances PERLS III will be exchanged for Bank Ordinary Shares, Bank PERLS III Preference Shares, cash (subject to APRA approval) or a combination of Bank Ordinary Shares and cash. There are two main types of exchange:

- Where PCL requires an exchange (see “When can PCL require me to exchange my PERLS III?” below); and
- Where exchange occurs automatically on the occurrence of certain events (see “When will PERLS III be automatically exchanged for Bank Ordinary Shares?” and “When will PERLS III be automatically exchanged for Bank PERLS III Preference Shares?”).

The effect of an exchange of PERLS III is that PERLS III are acquired by the Bank in exchange for Bank Ordinary Shares, Bank PERLS III Preference Shares, cash or a combination of Bank Ordinary Shares and cash (as applicable).

Further detail of what PERLS III Holders will receive on exchange is set out in “If my PERLS III are exchanged for Bank Ordinary Shares, what will I receive?” (page 21), “If my PERLS III are exchanged for cash, what will I receive?” (page 22), and “If my PERLS III are exchanged for Bank PERLS III Preference Shares, what will I receive?” (page 22).

Because exchange involves the Bank acquiring PERLS III and paying the consideration to PERLS III Holders, certain rules (the “Election Rules”) have been set out in the Constitution to govern the manner in which the practicalities of exchange (such as the form of the consideration that will be paid to PERLS III Holders by the Bank and the date on which the exchange will take place) are determined as between PCL and the Bank (in its capacity as the PCL Ordinary Shareholder). PCL and the Bank (in its capacity as the PCL Ordinary Shareholder) must cooperate to agree these matters, and where they fail to agree, PCL must follow the directions of the Bank (in its capacity as the PCL Ordinary Shareholder). See the summary of the Election Rules at Section 10.2(h).

When can PCL require me to exchange my PERLS III?

PCL may, subject to APRA approval, require PERLS III Holders to exchange all or a portion of their PERLS III:

- on the Step-up Date or any Dividend Payment Date after the Step-up Date;
- if a Regulatory Event occurs (all PERLS III only); or
- if a Tax Event occurs (all PERLS III only).

In each case, PCL must provide notice of the relevant event to PERLS III Holders and must specify how many PERLS III of the relevant PERLS III Holder are to be exchanged and whether the exchange will be for cash, Bank Ordinary Shares or a combination of cash and Bank Ordinary Shares. The decision whether to exchange for cash, Bank Ordinary Shares or a combination of cash and Bank Ordinary Shares must be made by PCL in accordance with the Election Rules (see “What is an exchange?” above). The ability to exchange for cash may be subject to APRA approval.

When will PERLS III be automatically exchanged for Bank Ordinary Shares?

PERLS III will automatically exchange for Bank Ordinary Shares if an APRA Event, Default Event or Change of Control Event occurs.

Section 3 Key questions about PERLS III

An APRA Event occurs if:

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

A Default Event occurs if:

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

A Change of Control Event occurs if:

- a takeover bid is made to acquire some or all of the Bank Ordinary Shares on issue and the offer is, or becomes, unconditional and:
 - the voting power of the offeror in the Bank is, or becomes, greater than 50%; or
 - the Bank issues a statement recommending acceptance of the offer; or
- a court approves the convening of a meeting of the Bank Ordinary Shareholders to approve a scheme of arrangement under Part 5.1 of the Corporations Act which, when implemented, will result in a person having voting power in the Bank of more than 50% and either the holders (or relevant class or classes of holders) of Bank Ordinary Shares pass a resolution approving the scheme of arrangement, or an independent expert issues a report that the scheme of arrangement is in the best interests of the Bank Ordinary Shareholders.

If one of the above events occurs, PERLS III will automatically exchange for Bank Ordinary Shares unless the Bank cannot issue Bank Ordinary Shares at that time (see “How do PERLS III rank on a winding-up of the Bank?” on page 23).

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

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

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

Where:

- NOS means the number of Bank Ordinary Shares to be issued for each PERLS III being exchanged for Bank Ordinary Shares;
- VWAP means the average of the daily volume weighted average sale prices of Bank Ordinary Shares traded on ASX during the 20 Business Days (excluding days on which trading of Bank Ordinary Shares is suspended or does not take place) immediately preceding the relevant Exchange Date; and
- DF means the Discount Factor, and is 0.025 (2.5%).

Where the total number of Bank Ordinary Shares to be issued to a PERLS III Holder in respect of all of that PERLS III Holder's PERLS III being exchanged includes a fraction, that fraction will be disregarded.

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

Section 3 Key questions about PERLS III

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

If PERLS III are exchanged for cash, the PERLS III Holder is entitled to receive \$200 (being the Face Value) for each PERLS III exchanged for cash.

When will PERLS III be automatically exchanged for Bank PERLS III Preference Shares?

PERLS III will automatically exchange for Bank PERLS III Preference Shares in the following instances:

- a Dividend is not paid in full within 20 Business Days of the relevant Dividend Payment Date;
- the Bank (in its absolute discretion) gives notice to PCL stating that the exchange will occur; or
- 10 Business Days before the Conversion Date of 6 April 2046.

If my PERLS III are automatically exchanged for Bank PERLS III Preference Shares, what will I receive?

If PERLS III are automatically exchanged for Bank PERLS III Preference Shares, PERLS III Holders will receive one Bank PERLS III Preference Share for each PERLS III held.

The latest date at which this will occur is the day that is 10 Business Days prior to the Conversion Date of 6 April 2046 (see “When will PERLS III be automatically exchanged for Bank PERLS III Preference Shares?” above).

Are PERLS III perpetual?

PERLS III will be automatically exchanged for Bank PERLS III Preference Shares no later than 10 Business Days prior to 6 April 2046 (if they have not been exchanged before that date). PERLS III accordingly have a maximum potential life of less than 40 years. However, as each PERLS III is automatically exchanged on the date referred to above for a Bank PERLS III Preference Share, which is a perpetual security, PERLS III can be regarded for practical purposes as a “perpetual” security.

Holders are not entitled to request exchange or redemption of PERLS III or Bank PERLS III Preference Shares. However, PCL may elect to exchange PERLS III or the Bank may elect

to exchange Bank PERLS III Preference Shares for Bank Ordinary Shares and/or cash in certain circumstances (see “When can PCL require me to exchange my PERLS III” on page 20).

What are Bank PERLS III Preference Shares?

Bank PERLS III Preference Shares are preference shares issued by the Bank paying non-cumulative dividends. The Bank PERLS III Preference Shares Terms of Issue are set out in Appendix B.

How are Bank PERLS III Preference Shares different from PERLS III?

In certain circumstances (see “When will PERLS III be automatically exchanged for Bank PERLS III Preference Shares?” above) each PERLS III will be exchanged for one Bank PERLS III Preference Share. The Bank PERLS III Preference Shares are issued by the Bank. Instead of your entitlement to Dividends on PERLS III, you will be entitled to dividends on Bank PERLS III Preference Shares. Dividends on Bank PERLS III Preference Shares will be calculated and paid at the same rate and on similar terms and conditions as Dividends on PERLS III. The legal form and dividend rate on these instruments are similar, and Bank PERLS III Preference Shares generally confer the same ranking, rights and benefits as PERLS III, but certain features of the instruments are different. The key differences between PERLS III and Bank PERLS III Preference Shares are:

- Bank PERLS III Preference Shares are issued by the Bank while PERLS III are issued by PCL;
- Dividends will be sourced directly from the distributable profits of the Bank rather than indirectly through payments by the Bank (through CBA NZ) to PCL under the Convertible Note Deed and the Top-up Deed;
- Bank PERLS III Preference Share holders will be entitled to vote in limited circumstances at meetings of the Bank rather than meetings of PCL. These voting rights are similar to the voting rights for PERLS III Holders, other than in relation to voting on amendments to the constitution of PCL, removal and replacement of representative directors of PCL and voting on any dividends or distributions that are required by law to be approved or declared by members of PCL;

- if there is a winding-up of the Bank, it is anticipated that all your PERLS III or Bank PERLS III Preference Shares should be exchanged for Bank Ordinary Shares. If this does not occur, your rights as a holder of Bank PERLS III Preference Shares may be different to your rights as a PERLS III Holder (see “Ranking” in Section 6); and
- if an exchange event occurs, rather than the Bank acquiring your PERLS III in consideration for the issue of Bank Ordinary Shares or cash, the Bank can instead redeem, buyback or otherwise cancel your Bank PERLS III Preference Shares for cash or convert your Bank PERLS III Preference Shares to Bank Ordinary Shares. The Bank PERLS III Preference Shares Terms of Issue include an irrevocable offer by each holder of Bank PERLS III Preference Shares to sell any or all of their Bank PERLS III Preference Shares to the Bank, if the Bank exercises this right to buy them back. If the Bank exercises this right, you must sell your shares to the Bank. See the full Bank PERLS III Preference Shares Terms of Issue in Appendix B for further details.

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

If a Default Event occurs (which includes insolvency related events in relation to the Bank) PERLS III will be automatically exchanged into Bank Ordinary Shares. The rights of Bank Ordinary Shareholders to receive a return of capital on a winding-up of the Bank rank after the claims of creditors and preference shareholders. The claims of creditors include all deposits made with the Bank, including ordinary bank account deposits.

However, if a Default Event occurs, the Bank Ordinary Shares have not been issued and the Bank is in liquidation, PCL is entitled to a claim against the Bank under the Convertible Notes, on behalf of PERLS III Holders, that ranks equally with the claims of the Bank Ordinary Shareholders.

Can PERLS III be purchased or sold on ASX?

PCL has applied for PERLS III to be quoted on ASX. Quotation is not guaranteed or automatic. Once quoted, PERLS III can be purchased or sold through any stockbroker. It is expected that PERLS III will trade under the ASX code ‘PCAPA’. PCL will refund all Application Monies if PERLS III are not quoted on ASX within three months (or any longer period permitted by law) after the date of the Original Prospectus.

Will I be able to request repurchase of my investment?

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

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

The taxation implications of investing in PERLS III will depend on an investor’s individual circumstances. Prospective investors should obtain their own taxation advice. A general outline of the Australian taxation consequences is included in the letter from Greenwoods & Freehills Pty Limited to PCL set out in Section 9.

Do PERLS III have voting rights?

PERLS III Holders have limited voting rights. Those rights are set out in the PERLS III Terms of Issue in Appendix A. They include the right to vote at general meetings of PCL:

- on proposals to reduce the share capital or to approve buyback agreements (other than a repurchase under clause 9 of the PERLS III Terms of Issue) or that affect rights attached to PERLS III, on proposals to wind up PCL and on proposals for the disposal of the whole of the property, business and undertaking of PCL;
- during a period in which a Dividend which has been resolved as payable on a Dividend Payment Date has not been paid in full;
- during the winding-up of PCL;
- to amend the Constitution;
- to remove and replace any or all of the three directors who represent the interests of PERLS III Holders; and
- if the law requires dividends or distributions to be approved or declared by members, on such a resolution.

PERLS III Holders do not have voting rights at any meeting of the Bank.

Section 3 Key questions about PERLS III

How are PERLS III different to PERLS and PERLS II?

While the legal form and certain features of the instruments are different, investors will receive a similar type of return (i.e. a franked floating rate dividend or distribution). The following table sets out some key features of PERLS III, PERLS and PERLS II.

Characteristic:	PERLS	PERLS II	PERLS III
Legal form:	Preference share	Unit in a trust	Preference share
Issuer:	The Bank	CMIL	PCL
ASX code:	CBAPA	PCBPA	PCAPA
Security credit rating:	"A-" (S&P) "A2" (Moody's)	"A-" (S&P) "A2" (Moody's)	"A-" (S&P) ¹ "A2" (Moody's) ¹
Margin:	1.85%	0.95%	1.05%
Nature of distribution:	Franked floating rate dividend	Franked floating rate distribution	Franked floating rate dividend
Assumed value of franking:	75%	100%	100%
Rights if distribution is not fully franked	Exchange at next dividend date	Exchange at next dividend date	Gross-up
Bank Ordinary Share price exposure:	None	Below \$2.00 on exchange ²	Below \$2.00 on exchange ²
Ranking in liquidation of the Bank:	Preference Share	Exchange into Bank Ordinary Shares	Exchange into Bank Ordinary Shares
Reset of terms:	Yes	Yes	No
Step-up:	No	No	Yes
Maturity:	None	None	None
Issue date:	6 April 2001	6 January 2004	6 April 2006
Rollover date:	6 April 2006	15 March 2009	None
Step-up Date	None	None	6 April 2016

¹ Standard & Poor's has indicated it will rate PERLS III "A-". Moody's has indicated it will rate PERLS III "A2".

² Because of the Maximum Conversion Number, you will receive less than the Face Value on exchange if the Bank Ordinary Share price is less than \$2.00. The Bank Ordinary Share price has fluctuated between \$34.28 and \$44.86 in the year to 1 March 2006.

Is brokerage or stamp duty payable?

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

What am I required to pay?

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

Applicants who are Eligible PERLS Holders, participating in the Reinvestment Offer, are not required to apply for a minimum of 25 PERLS III (\$5,000).

Will I be required to pay any ongoing fees?

No. You will not be required to pay any ongoing fees. CBA NZ is meeting the initial costs of the Offer. Under the Services Deed, a subsidiary of the Bank will provide services to PCL for which PCL will pay an annual fee of \$3,000. In addition, the Bank indemnifies PCL up to a maximum amount (subject to adjustment for inflation) of \$300,000 per financial year (which may be increased at the discretion of the Bank in certain circumstances) for PCL's reasonable operating expenses (see Section 10.7 "Upfront costs and expenses agreement" and Section 10.10 "Services Deed").

Where can I get more information about PERLS III?

A number of relevant documents are available free of charge from PCL during the Offer Period. See Section 10 for more information.

Who can I call if I have any questions?

If after reading this Prospectus you have further questions on how to apply, please call the **PERLS III Information Line on 1800 742 737** (Monday to Friday 8.30 am–5.30 pm).

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

You should read the whole of this Prospectus carefully, including the risks of investing in PERLS III contained in Section 6.

Section 4

Applying for PERLS III

Section 4 Applying for PERLS III

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

Who may apply

The Offer is available to persons within Australia. No action will be taken to register the Prospectus, or otherwise permit a public offering of PERLS III, in any jurisdiction outside Australia. The Offer is not made to any person in any jurisdiction where the laws of that jurisdiction would require the Prospectus to be registered or other action to be taken by PCL (see Section 11.4 “Restrictions on foreign jurisdictions”).

When to apply

The Offer is expected to open on 3 March 2006.

The closing date for Applications to reinvest PERLS redemption proceeds in PERLS III and to apply for additional PERLS III through the Reinvestment Offer is expected to be 27 March 2006. The closing date for the Securityholder Offer and the General Offer is expected to be 29 March 2006. Applications (together with Application Monies) must be received by the Registry no later than 5.00 pm on the relevant closing date.

Applicants who are applying through the Broker Firm Offer should not return their Application to the Registry but instead return it to their broker in accordance with their broker's instructions.

The Offer may close early. Therefore, if you wish to apply for PERLS III you should submit your Application as soon as possible after the Offer opens. If one of the closing dates is varied, subsequent dates may be varied accordingly.

How to apply

To apply for PERLS III you must complete an Application Form.

Application Forms and the instructions for completing and returning your Application Form vary depending on whether you are making an Application:

- under the Reinvestment Offer (see “Applying under the Reinvestment Offer” below);
- under the Securityholder Offer (see over, “Applying under the Securityholder Offer”);

- under the General Offer (see over, “Applying under the General Offer”); or
- under the Broker Firm Offer (see over, “Applying under the Broker Firm Offer”).

Applying under the Reinvestment Offer

If you are an Eligible PERLS Holder who applies under the Reinvestment Offer, you are eligible for a priority Allocation over Applicants who apply under the Securityholder Offer or the General Offer.

To be eligible for a priority Allocation you must complete a yellow personalised Reinvestment Application Form. If you use a white General Application Form downloaded from the CommSec website or attached to the Prospectus or you apply online, you will not be entitled to apply to reinvest PERLS redemption proceeds in PERLS III through the Reinvestment Offer or to receive a priority in Allocation.

If you wish to apply for PERLS III under the Reinvestment Offer, you should complete your yellow personalised Reinvestment Application Form as follows:

- to apply to have the redemption proceeds of all of your PERLS held as at the record date on 3 March 2006 reinvested in PERLS III, mark box B “Apply to reinvest the redemption proceeds of **ALL** of your existing PERLS in PERLS III”;
- if you apply to have the redemption proceeds of all your PERLS held as at the record date of 3 March 2006 reinvested in PERLS III by marking box B, you may also apply for additional PERLS III. Specify the amount and number of any additional PERLS III you wish to apply for in box C “Apply for additional PERLS III”; and
- to apply to have the redemption proceeds of some only of your PERLS held as at the record date on 3 March 2006 reinvested in PERLS III, specify the amount and number of your PERLS which you wish to be applied to the Reinvestment Offer in box D “Apply to reinvest the redemption proceeds of **SOME** of your existing PERLS in PERLS III”. The redemption proceeds on any PERLS you hold on 6 April 2006 that are not reinvested in PERLS III will be paid to you in cash.

Section 4 Applying for PERLS III

If you apply for PERLS III under the Reinvestment Offer you will receive a firm Allocation for the number of PERLS III you have applied for up to a maximum of 50 PERLS III (\$10,000), and for any number in excess of 50 PERLS III (\$10,000) for which you apply under the Reinvestment Offer, you will be given a priority over Applicants under the Securityholder Offer and the General Offer. If there is excess demand for PERLS III and you are not allocated all of the PERLS III you applied for, any redemption proceeds to which you are entitled on your PERLS that are not applied for reinvestment in PERLS III, will be paid to you in cash on 6 April 2006.

If you are an Eligible PERLS Holder who holds PERLS as trustee or nominee and you are able to establish, to the Bank's satisfaction, that you are applying for PERLS III under the Reinvestment Offer on behalf of more than one other person (each a beneficiary) who would otherwise be entitled to apply for PERLS III under the Reinvestment Offer, you will receive an Allocation on the basis set out above for each beneficiary on whose behalf you are applying for PERLS III under the Reinvestment Offer. You should contact the Registry for further details on what actions you need to take.

Applying under the Securityholder Offer

If you are an Eligible Securityholder, you may apply for PERLS III under the Securityholder Offer by either:

- completing the white General Application Form attached to this Prospectus and ticking the box marked "I/We am/are an Eligible Securityholder"; or
- applying online at www.commsec.com.au and following the instructions.

You will also be required to provide your HIN or your SRN for your holding of PERLS II or Bank Ordinary Shares.

If you apply for PERLS III under the Securityholder Offer, you will receive priority over General Applicants, but after Applicants under the Reinvestment Offer and the Broker Firm Offer, if there is excess demand for PERLS III.

If you do not tick the box marked "I/we am/are an Eligible Securityholder", you will be taken to have applied in the General Offer and you will not be entitled to receive a priority in Allocation.

Applying under the General Offer

If you are not an Eligible PERLS Holder or Eligible Securityholder, and you wish to apply for PERLS III, you may apply for PERLS III by:

- completing the white General Application Form attached to this Prospectus or available from CommSec's website at www.commsec.com.au; or
- applying online at www.commsec.com.au.

Applying under the Broker Firm Offer

If you are applying under the Broker Firm Offer, you should contact the broker who has offered you the broker firm Allocation for instructions as to how and when to submit your Application Form.

The Broker Firm Offer is available to all Australian residents who are clients of a broker to the Offer, including Eligible PERLS Holders and Eligible Securityholders.

Eligible PERLS Holders with a broker firm Allocation of PERLS III can instruct their broker to apply the redemption proceeds of all or some of their PERLS held as at the record date on 3 March 2006 to apply for those PERLS III.

Where to send your Application Forms

Reinvestment Offer, Securityholder Offer and General Offer

Completed Application Forms and accompanying cheques and/or money orders must be mailed or delivered to the Registry at:

Mail Address:	or	Delivery Address:
Link Market Services Ltd		PERLS III
PERLS III		c/- Link Market Services Ltd
Locked Bag A14		Level 12, 680 George Street
Sydney South NSW 1235		Sydney NSW 2000

Applications must be received at one of the above addresses by 5.00 pm on the relevant closing date.

Section 4 Applying for PERLS III

You can also apply under the Reinvestment Offer, the Securityholder Offer or the General Offer through your broker by returning the relevant Application Form and accompanying cheques and/or money orders to them within sufficient time for them to deliver your Application Form and Application Monies to the Registry on your behalf by the relevant closing date. If you submit your Application through your broker, your broker will act as your agent in submitting your Application Form and Application Monies to the Registry. It will be your broker's responsibility to ensure they are submitted to the Registry by 5.00 pm on the relevant closing date.

Broker Firm Offer

Applicants who are applying under the Broker Firm Offer should not return their Application Form and Application Monies to the Registry but instead return them to their broker in accordance with their broker's instructions.

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

How to pay

Under the Reinvestment Offer

If you applied on your yellow personalised Reinvestment Application Form for all or some of the proceeds from the redemption of PERLS you held as at the record date on 3 March 2006 to be reinvested in PERLS III, those PERLS redemption proceeds will be used to pay the Application Monies for PERLS III allocated to you.

If you sell some or all of your PERLS before 6 April 2006 and you are not entitled to receive redemption proceeds for the value of PERLS you have elected to reinvest in PERLS III, the value of PERLS III you may be allotted will be reduced to the extent that redemption proceeds or Application Monies are not available. If you acquire PERLS after the record date on 3 March 2006, you will not be entitled to apply the redemption proceeds of those PERLS for reinvestment in PERLS III under the Reinvestment Offer.

If you have applied for additional PERLS III, your completed yellow personalised Reinvestment Application Form must be accompanied by cheques and/or money orders for the additional amount as described below.

Under the Securityholder Offer and the General Offer

Completed white General Application Forms must be accompanied by cheques and/or money orders in Australian dollars drawn on an Australian branch of a financial institution. Cheques and/or money orders should be crossed "not negotiable" and made payable to "PERLS III Offer".

Broker Firm Offer

If you have received a broker firm Allocation of PERLS III from a broker to the Offer, your Application and payment procedures will differ in two important respects from those described above:

- your Application cheques and/or money orders must be made payable to the broker who offered you the broker firm Allocation (not to "PERLS III Offer"); and
- your completed Application Form and cheques and/or money orders must be delivered directly to the broker who offered you the broker firm Allocation (not to the Registry) in accordance with their instructions to leave sufficient time for them to deliver it to the Registry on your behalf before the relevant closing date.

These differences, and any other requirements, will be explained to you by your broker. If you have a broker firm Allocation of PERLS III and are in any doubt about what action you should take, you should immediately contact the broker who offered you the broker firm Allocation.

If you submit an Application under the Broker Firm Offer, your broker will act as your agent in submitting your completed Application Form and any Application Monies to the Registry. It will be your broker's responsibility to ensure they are submitted to the Registry by 5.00 pm on the relevant closing date. PCL, the Registry, the Bank and the Joint Lead Managers take no responsibility for any acts or omissions by your broker in connection with your Application Form or Application Monies.

If you are an institutional investor, Application and settlement procedures will be as notified by the Joint Lead Managers.

Eligible PERLS Holders with a broker firm Allocation of PERLS III can instruct their brokers to apply the redemption proceeds of PERLS held as at the record date on 3 March 2006 to reinvestment in those PERLS III.

Applying for PERLS III over the internet

To apply for PERLS III over the internet, you will need to go to CommSec's website at www.commsec.com.au and follow the instructions (you may access the online application site regardless of whether you are a CommSec client). Before applying over the internet, you will need to download a copy of the Prospectus. It is important to read the entire Prospectus before applying for PERLS III.

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

If you are an Eligible PERLS Holder and you apply for PERLS III over the internet, you will not be entitled to apply to reinvest PERLS redemption proceeds in PERLS III or to receive your firm Allocation of PERLS III, or priority over Applicants under the Securityholder Offer or General Offer.

Minimum Application

The price of each PERLS III is \$200. You must apply for a minimum of 25 PERLS III, which is a minimum investment of \$5,000. Applications for greater than 25 PERLS III (\$5,000) must be in multiples of five PERLS III (\$1,000).

Applicants who are Eligible PERLS Holders, participating in the Reinvestment Offer, are not required to apply for a minimum of 25 PERLS III (\$5,000).

No brokerage or stamp duty

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

Refunds

If you are allocated less than the number of PERLS III you applied for in cash, you will receive a refund cheque as soon as practicable after the relevant closing date. No interest will be payable on Application Monies. Any interest earned on the Application Monies will be retained by PCL.

Stamping fee

The Joint Lead Managers will pay to ASX Participating Organisations a stamping fee of 0.5% of the Application Monies (inclusive of GST) on allotted PERLS III bearing an ASX Participating Organisation's broker stamp. No stamping fee will be paid on broker firm Allocations.

Commencement of trading of PERLS III on ASX

Trading of PERLS III is expected to commence on ASX on a deferred settlement basis on 7 April 2006. The dispatch of Holding Statements is expected to occur on 11 April 2006. Trading is expected to continue on a deferred settlement basis until 12 April 2006 when trading of PERLS III is expected to commence on a normal settlement basis.

It is your responsibility to determine your Allocation before trading your PERLS III to avoid the risk of selling PERLS III you do not own. To assist you in determining your Allocation prior to receipt of your Holding Statement, you may call the **PERLS III Information Line on 1800 742 737** (Monday to Friday 8.30 am–5.30 pm) to seek information on your Allocation.

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

Tax File Number and/or Australian Business Number

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

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

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

Section 5

Allocation and Allotment

Section 5 Allocation and Allotment

5.1 Allocation policy

Eligible PERLS Holders who apply through the Reinvestment Offer will receive a firm Allocation of the number of PERLS III they have applied for up to a maximum of 50 PERLS III (\$10,000). Eligible PERLS Holders who hold as trustee or nominee for more than one person (each a beneficiary) may be entitled to receive this Allocation on behalf of each beneficiary on whose behalf they have applied under the Reinvestment Offer. Please see Section 4 “Applying under the Reinvestment Offer” for further detail. If there is excess demand after Allocations to institutional investors, the Broker Firm Offer and the Allocation of PERLS III to Eligible PERLS Holders as set out above:

- Eligible PERLS Holders who applied for more than 50 PERLS III (\$10,000) under the Reinvestment Offer will be given first ranking priority; and
- Eligible Securityholders who apply under the Securityholder Offer will be given second ranking priority;

ahead of General Applicants.

Applications (excluding Allocations to institutional investors, Broker Firm Offer Applications and Applications from Eligible PERLS Holders for up to 50 PERLS III (\$10,000)) may be subject to scaling back. This may include scaling back to below the minimum Application of 25 PERLS III (\$5,000). Some Applications may be rejected. In the event of any scale-back, Applicants under the Reinvestment Offer will receive priority over Applicants under the Securityholder Offer and Applicants under the General Offer for any portion of their Application which is in excess of their firm Allocation of 50 PERLS III (\$10,000). Applicants under the Securityholder Offer will be given priority over General Applicants in any scale-back.

In respect of any Application where the number of PERLS III allocated is less than the number applied for, or where no Allocation is made, any surplus Application Monies will be refunded as soon as practicable after the Offer closes. No interest will be payable on Application Monies. Any interest earned on the Application Monies will be retained by PCL.

5.2 Firm Allocations to Joint Lead Managers and brokers to the Offer

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

5.3 Allotment

PCL intends to issue at least 4.5 million PERLS III at an issue price of \$200 each, to raise at least \$900 million with the ability to raise more.

PCL will not allot any PERLS III until it has been granted approval for PERLS III to be quoted on the ASX and all proceeds from accepted Applications have been received by PCL. PCL intends to allot PERLS III on 6 April 2006. PCL may, in consultation with the Joint Lead Managers, change any of the closing dates and the Allotment Date or may withdraw the Offer at any time before Allotment, or accept late Applications, either generally or in particular cases.

5.4 Bookbuild

The Joint Lead Managers conducted a Bookbuild on 2 March 2006 to determine the Initial Margin in accordance with terms and conditions agreed by the Bank and the Joint Lead Managers. As part of the Bookbuild, certain institutional investors, the Joint Lead Managers, Co-Managers and certain member organisations of ASX were invited to lodge bids for PERLS III within the range for the Initial Margin of 1.05% to 1.15% per annum. On the basis of those bids, the Bank and the Joint Lead Managers determined the Initial Margin and the firm Allocations of PERLS III to institutional investors, the Joint Lead Managers, Co-Managers and participating brokers. PERLS III allocated during the Bookbuild will be issued pursuant to this Prospectus.

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

5.5 Other information

Application payments and refunds

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

In the following cases, you will receive a refund cheque for any Application Monies received as soon as practicable after the relevant closing date:

- you are allocated fewer than the number of PERLS III you applied for in cash; or
- your Application is rejected.

ASX listing and deferred settlement trading

Application has been made to ASX for PERLS III to be admitted to official quotation on ASX. It is expected that trading of PERLS III on ASX will commence on a deferred settlement basis on 7 April 2006. Holding Statements are expected to be dispatched on 11 April 2006. Trading of PERLS III is expected to continue on a deferred settlement basis until 12 April 2006 when trading of PERLS III is expected to commence on a normal settlement basis. Deferred settlement will occur because trading will take place before Holding Statements are sent out to holders of PERLS III. If PERLS III are not admitted to official quotation on ASX, PERLS III will not be issued and Application Monies will be refunded to Applicants.

Provision of Holding Statements

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

Following the Allotment of PERLS III to successful Applicants, PERLS III Holders will be sent a Holding Statement that sets out the number of PERLS III they have been allotted in the Offer.

It is the responsibility of Applicants to determine their Allocation (if any) prior to trading in PERLS III. Applicants who sell PERLS III before they receive their Holding Statements will do so at their own risk. For more information please call the PERLS III Information Line on 1800 742 737 (Monday to Friday 8.30 am–5.30 pm).

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

Section 6

Risks of investing in PERLS III

Section 6 Risks of investing in PERLS III

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

- risks associated with investing in PERLS III;
- risks associated with the Bank or PCL.

The summary of risks below is not exhaustive. You should read this Prospectus in its entirety and consult your financial adviser or other professional adviser before deciding whether to apply for PERLS III.

6.1 Risks associated with investing in PERLS III

Set out below are general risks associated with an investment in PERLS III. In particular, these risks arise from the nature of PERLS III and the PERLS III Terms of Issue.

Market price and liquidity – PERLS III may trade below the Issue Price and there may not be buyers

PCL will apply for quotation of PERLS III on ASX, however PCL is unable to forecast the market price and liquidity of the market for PERLS III. The market price of PERLS III may fluctuate due to various factors, including general movements in:

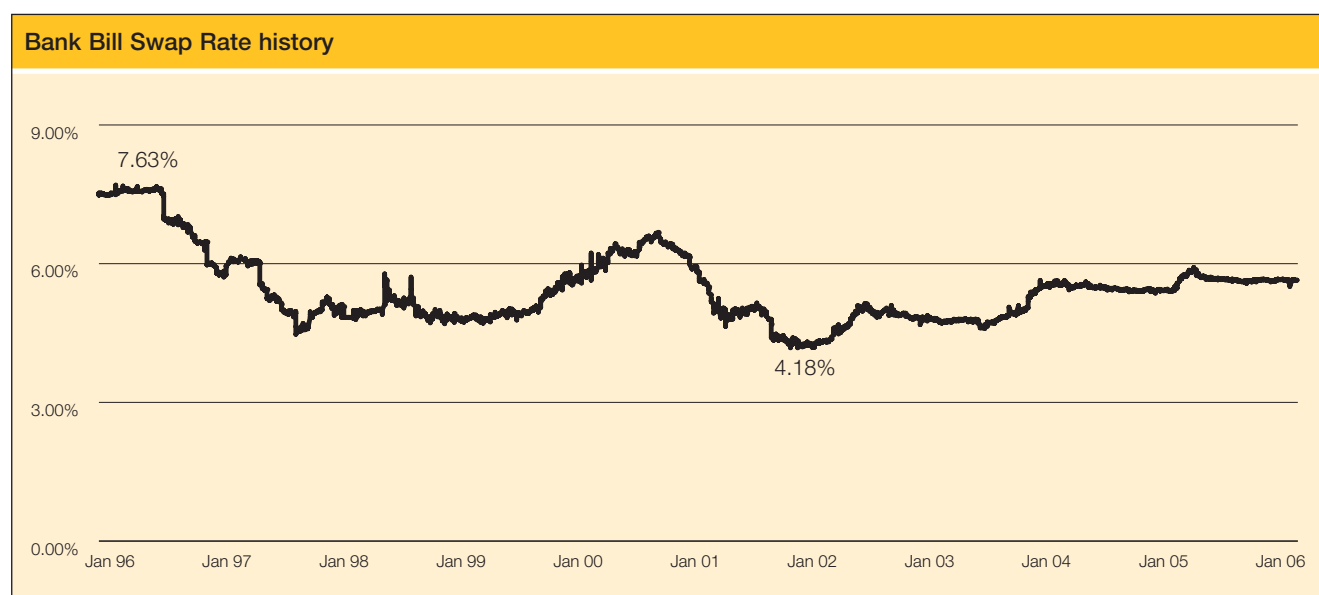
- Australian and international economic conditions, interest rates, credit margins and equity markets;
- investor perceptions;
- movement in the market price of Bank Ordinary Shares; and
- factors which may affect the Bank's financial position and earnings.

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

Dividend Rate

The Dividend Rate is the sum of the Market Rate and the Margin. The Market Rate is the Bank Bill Swap Rate per annum, which is influenced by a number of factors and varies over time. The Market Rate will fluctuate (both increase and decrease) over time. Refer to the chart below.

Up to, but excluding, the Step-up Date (6 April 2016) the Margin will be the Initial Margin. The Initial Margin is 1.05% per annum. Subsequent to, and including, the Step-up Date the Margin will be the Step-up Margin (which is the Initial Margin plus 1.00%).



Note: This chart shows historical movements in the Bank Bill Swap Rate. Past levels are not necessarily indicative of future levels.

Section 6 Risks of investing in PERLS III

As the Dividend Rate on PERLS III fluctuates, there is a risk that the Dividend Rate payable on PERLS III will become less attractive when compared to the rates of return available on comparable securities issued by the Bank, PCL or other entities.

Dividends

There is a risk that Dividends on PERLS III will not be paid. Dividends are payable by resolution of PCL directors and can only be paid to the extent permitted by applicable law (including, under current law, that there are profits legally available for the payment of Dividends). If PCL has insufficient profits (including because of a change in accounting standards or a substantial drop in interest rates that results in the interest rate on the Convertible Notes being lower than the Dividend Rate on PERLS III), or payment of a Dividend would prejudice its solvency, it will not be able to pay Dividends. Dividends on PERLS III will only be paid if the Bank pays the interest on the Convertible Notes and/or if the Bank, at its discretion makes a Top-up Payment under the Top-up Deed. The Bank may, at its discretion, make a Top-up Payment where PCL would otherwise have insufficient profits to pay a Dividend. Interest on the Convertible Notes and any Top-up Payment will only be paid if the board of the Bank (or a committee of the board of the Bank) declares or otherwise resolves to pay the interest or Top-up Payment and if none of the following conditions exists:

- there is an Insufficient Distributable Profits Circumstance;
- the payment would result in the Risk Based Capital Ratio or the Tier 1 Capital Ratio of the Bank (on a Level 1 basis) or the Group (on a Level 2 basis) not complying with APRA Guidelines (unless APRA otherwise gives its approval);
- APRA has objected to the proposed payment; or
- APRA has stated that the payment will result in PERLS III no longer being treated as Tier 1 Capital of the Bank.

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

If Dividends on PERLS III are not paid in full within 20 Business Days of the relevant Dividend Payment Date, PERLS III will exchange into Bank PERLS III Preference Shares. If this occurs, PERLS III Holders will subsequently source dividends from Bank PERLS III Preference Shares (see “What are Bank PERLS III Preference Shares?” in Section 3). Similar conditions apply to payment of dividends on Bank PERLS III Preference Shares.

If a dividend on Bank PERLS III Preference Shares is not paid in full within 20 Business Days of the relevant dividend payment date for Bank PERLS III Preference Shares, or if a Dividend scheduled to be paid on PERLS III on or prior to the issue date of Bank PERLS III Preference Shares is not paid in full by the scheduled date, then the Bank will not be permitted (subject to certain exceptions) to pay interest, declare or pay dividends or distributions, return any capital or undertake any buybacks, redemptions or repurchases in relation to Bank Ordinary Shares, PERLS II Securities, Trust Preferred Funding Securities and any of the Bank's securities that rank or are expressed to rank for interest payments, dividends or distributions equally with, or junior to, the Bank PERLS III Preference Shares or Convertible Notes unless and until:

- an amount in aggregate equal to the full dividend for the preceding four consecutive dividend periods has been paid to the relevant shareholders by the Bank as dividends on Bank PERLS III Preference Shares and/or by PCL as Dividends on PERLS III;
- the Bank has paid the relevant shareholders an amount or amounts in aggregate equal to the unpaid amount or amounts of the dividends on Bank PERLS III Preference Shares and/or Dividends on PERLS III for the preceding four consecutive dividend periods; or
- a Special Resolution of Holders authorising the payment, capital return, buyback, redemption or repurchase is approved.

The main exceptions, which are payments the Bank is permitted to make even if the relevant dividend is not paid in full, include pro rata payments on the Convertible Notes underlying PERLS III and/or the Bank PERLS III Preference Shares (as applicable) and securities of the Bank that rank or are expressed to rank for interest payments, dividends or distributions equally with the Bank PERLS III Preference Shares and Convertible Notes.

Section 6 Risks of investing in PERLS III

The Bank may also be subject to similar constraints on payment of dividends or return of capital on Bank Ordinary Shares and certain other Tier 1 instruments (including the Convertible Notes underlying the PERLS III and Bank PERLS III Preference Shares) if a distribution has not been paid on PERLS II, the Trust Preferred Securities or other securities that the Bank may issue in the future. If such a constraint applies, the Bank may not be able to make payments on the Convertible Notes underlying the PERLS III or on Bank PERLS III Preference Shares unless approval is obtained from the holders of the relevant securities.

Exchange

PCL may require you to exchange your PERLS III in the circumstances set out in “When can PCL require me to exchange my PERLS III?” in Section 3. This could occur on a date other than the Step-up Date or a subsequent Dividend Payment Date after the Step-up Date and before you wish to dispose of your PERLS III, which may be disadvantageous in light of market conditions and your individual circumstances.

On exchange, PERLS III Holders will receive, at PCL’s election (subject to the Election Rules), Bank Ordinary Shares, cash (subject to APRA approval) or a combination of Bank Ordinary Shares and cash (also subject to APRA approval).

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

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

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

Automatic exchange

PERLS III will automatically be exchanged for Bank Ordinary Shares on the occurrence of an APRA Event, a Default Event or a Change of Control Event.

PERLS III will automatically be exchanged for Bank PERLS III Preference Shares on a failure by PCL to pay a Dividend in full by 20 Business Days after a Dividend Payment Date, at any time at the Bank’s discretion, or 10 Business Days prior to the Conversion Date of 6 April 2046.

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

Franking

It is expected that Dividends on PERLS III will be fully franked. However, Dividends payable on PERLS III may or may not be fully franked. If a Dividend is not fully franked, it will, if paid, be grossed-up by a cash amount to compensate for the unfranked amount. See the risk titled “Dividends” on the previous page regarding the circumstances in which a Dividend may not be paid.

Redeemable or exchangeable for cash in limited circumstances only

PERLS III are not redeemable or exchangeable for cash unless (subject to APRA approval):

- PCL elects to pay cash consideration in the event of exchange; or
- PCL repurchases PERLS III that have been acquired by the Bank.

Effectively perpetual security

PERLS III are effectively a perpetual security. You do not have a right to require PCL to exchange your PERLS III. PERLS III can be exchanged at the election of PCL or automatically in the circumstances summarised above and in Section 3.

Section 6 Risks of investing in PERLS III

Ranking

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

On a winding-up of the Bank, PERLS III and any Bank PERLS III Preference Shares into which they are exchanged will automatically be exchanged for Bank Ordinary Shares as described under the risk titled “Automatic exchange” on the previous page. The rights of Bank Ordinary Shareholders to receive a return of capital on a winding-up of the Bank rank after the claims of creditors and the claims of holders of preferred securities. The claims of creditors include all deposits made with the Bank, including ordinary bank account deposits.

As Bank Ordinary Shares rank after creditors and holders of preferred securities, there is a risk that in the event of a winding-up of the Bank there will be insufficient funds to provide a return of capital to investors holding Bank Ordinary Shares (received on exchange) or investors holding PERLS III or Bank PERLS III Preference Shares (if the Bank Ordinary Shares cannot be issued).

If the PERLS III have exchanged into Bank PERLS III Preference Shares and winding-up of the Bank is effected without the Bank PERLS III Preference Shares having converted into Bank Ordinary Shares, the Bank PERLS III Preference Shares will rank ahead of Bank Ordinary Shares and equally with other Preference Shares for an amount of capital equal to the greater of \$1.00 and the amount they would have been entitled to if the Bank PERLS III Preference Shares had converted into Bank Ordinary Shares.

Credit rating

There is a risk that the credit rating of the Bank and PERLS III may change as a result of changes in the Bank's operating performance or capital structure, or for some other reason. This could affect the market price and liquidity of PERLS III. The credit ratings of the PERLS III may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or trading value of, the PERLS III.

Taxation

A general description of the Australian taxation consequences of investing in PERLS III, including your ability to claim franking credits, is set out in the letter from Greenwoods & Freehills Pty Limited in Section 9. This discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any

particular investor. Accordingly, investors should seek independent advice in relation to their individual tax position.

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

Regulatory

Investors should refer to the PERLS III Terms of Issue for further information. In addition, APRA may determine that a Dividend should not be paid, or that a higher Risk Based Capital Ratio or Tier 1 Capital Ratio is required before any Dividend can be paid.

APRA has approved the classification of PERLS III as Tier 1 Capital. However, if APRA subsequently determines that PERLS III do not constitute Tier 1 Capital, a Regulatory Event may occur which would entitle the Bank to exchange PERLS III as set out under “Exchange” on the previous page.

Accounting standards

In addition to the risk of triggering a Regulatory Event, a change in accounting standards by either the International Accounting Standards Board or Australian Accounting Standards Board may affect the reported earnings and financial position of the Bank or PCL in future financial periods. This may adversely affect the ability of the Bank to make payments with respect to the Convertible Notes or the ability of PCL to pay Dividends on PERLS III.

Future securities

PCL and the Bank are entitled to issue further preference shares that rank equally with PERLS III or Bank PERLS III Preference Shares issued under this Prospectus without the approval of PERLS III Holders or holders of Bank PERLS III Preference Shares.

In addition, the Bank may also issue other securities that rank for dividends, distributions or similar payments or payments in a winding-up of the Bank, equally, behind or ahead of the Convertible Notes underlying PERLS III without the approval of PERLS III Holders. A holding of PERLS III does not confer any right to participate in future issues by PCL or the Bank, whether of equity, debt or some other security. In addition, other entities may issue other securities with the same or different dividend or interest rates and on the same or different terms to PERLS III.

No prediction can be made as to the effect, if any, such future issues of securities by PCL or other entities may have on the market price of PERLS III.

6.2 Risks associated with the Bank or PCL

Set out below are risks associated with the Bank or PCL. These risks will be relevant to an investment in PERLS III to the extent they affect the ability of the Bank or PCL to meet its respective obligations under the Convertible Notes or PERLS III or any Bank Preference Shares into which PERLS III may exchange.

Macroeconomic risks

The Bank is a major lender to Australian and New Zealand businesses and to individuals. The Bank's results in recent years have benefited from historically high rates of growth of the Australian and New Zealand economies, low unemployment and historically low rates of inflation. The general state of the Australian and New Zealand economies will influence the level of profitability of the Bank and therefore its ability to pay dividends. In particular, a significant decrease in the Australian and New Zealand housing markets or property valuations could adversely affect the Bank's home mortgage portfolio. Furthermore, weaknesses in global securities markets could result in a decline in the Bank's revenues from its funds management and life insurance business. If the Bank's financial position were seriously affected, that could impact on the Bank's ability to pay interest on the Convertible Notes, and consequently on PCL's ability to pay Dividends on PERLS III.

Banking industry-specific risks

In addition to economic factors, there are a number of factors which may affect the profitability of banks in Australia, including the Bank. These include changes in:

- government monetary policy;
- taxation policies;
- interest rates; and
- prudential regulatory requirements.

Company-specific risks

There are a number of risk factors which arise directly from the operations of the Bank as a major participant in the financial services industry and from the specific structure of the Bank. These risks are categorised as credit risk, market risk and operational risk.

- Credit risk. Credit risk is the potential for loss arising from:
 - failure of a debtor or counterparty to meet their contractual obligations; and
 - failure to recover the recorded value of equity investments arising from individual transactions.
- Market risk. Market risk is the risk of an adverse event in the financial markets that may result in a loss of earnings to the Bank. It includes:
 - liquidity risk, which is the risk of being unable to meet financial obligations as they fall due;
 - funding risk, which is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds;
 - interest rate risk, which is the potential for a change in interest rates to have an adverse impact on the net interest earnings of the Bank; and
 - the risk to earnings caused by changes in foreign exchange rates and changes to equity, commodity, property and other market prices.
- Operational risk. Operational risk is defined as the potential variations in the value of the Bank's businesses, other than those captured in the credit and market risk definitions, comprising risks associated with:
 - strategic and business decisions;
 - processes, systems or people; and
 - external events.

Competition

There is substantial competition for the provision of financial services in the markets in which the Bank operates. The effect of competitive market conditions may adversely impact on the earnings and assets of the Bank.

PCL

PCL is a special purpose company. Its ability to pay Dividends and meet other obligations is dependent on payments from the Bank under the Convertible Notes, the Top-up Deed and the Services Deed. See generally under "Dividends" on page 36 and Sections 10.5, 10.8 and 10.9.

The above summary is not exhaustive and prospective investors should read this Prospectus in its entirety and consult their financial adviser or other professional adviser before deciding whether to apply for PERLS III.

Section 7

Information about the Commonwealth Bank

Section 7 Information about the Commonwealth Bank

7.1 Overview

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

The Bank's net profit after tax ("statutory basis") for the half year ended 31 December 2005 was \$1,999 million, an increase of 18% on the prior half. Another record interim dividend of 94 cents per Bank Ordinary Share has been declared.

This dividend payment is fully franked and will be paid on 5 April 2006 to owners of Bank Ordinary Shares at the close of business on 24 February 2006. The dividend has been determined based on net profit after tax ("cash basis") excluding the sale of the Hong Kong business. On this basis the dividend payout ratio for the half year is 63.2%.

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

The Bank is listed on ASX and based on the closing share price of \$43.71 on 1 March 2006, had a market capitalisation of \$56.45 billion. The Bank is one of the top three companies on ASX by market capitalisation.

The Bank reported an underlying profit after tax for the Banking Business of \$1,589 million for the half year,

an increase of 5% on the prior half and 13% on the prior comparative period. The performance was underpinned by strong volume growth in home loans, domestic deposit volume growth, continued improvement in business lending volumes, good cost control and sound credit quality.

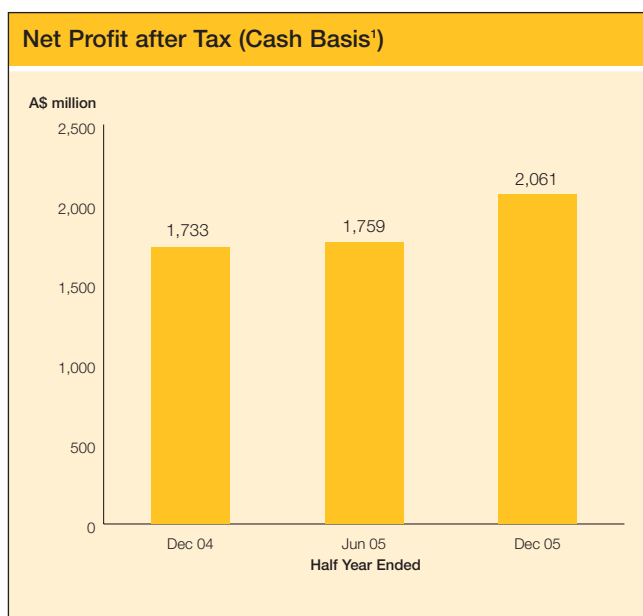
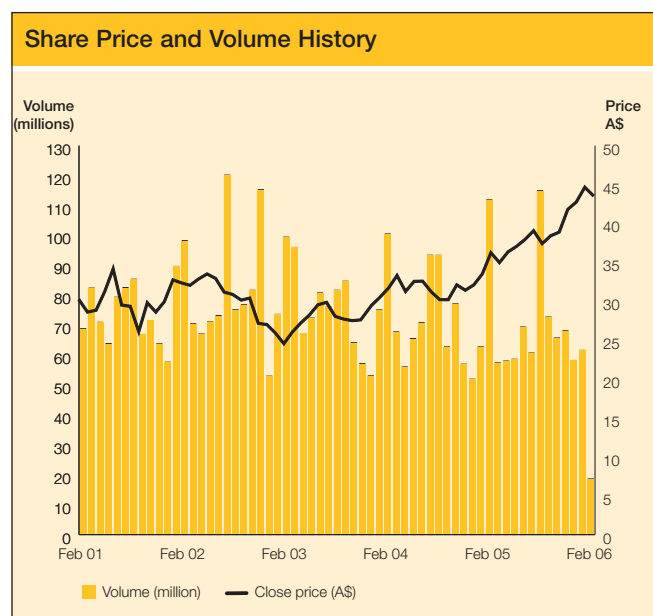
Underlying profit before tax of \$261 million for the Funds Management Business increased 7% over the prior half and 22% over the prior comparative period. The performance during the half year reflects strong growth across the business. Profit after tax has been impacted by a significantly higher effective tax rate and growth in funds under administration.

The Insurance Business delivered good profit growth for the half year to December 2005, with underlying net profit after tax of \$103 million increasing 16% on the prior half and 54% on the prior comparative period.

The underlying result reflects solid income growth in both Australia and New Zealand. After adjusting the operating results following the sale of the Hong Kong business, operating income increased 8% on the prior half and 15% on the prior comparative period.

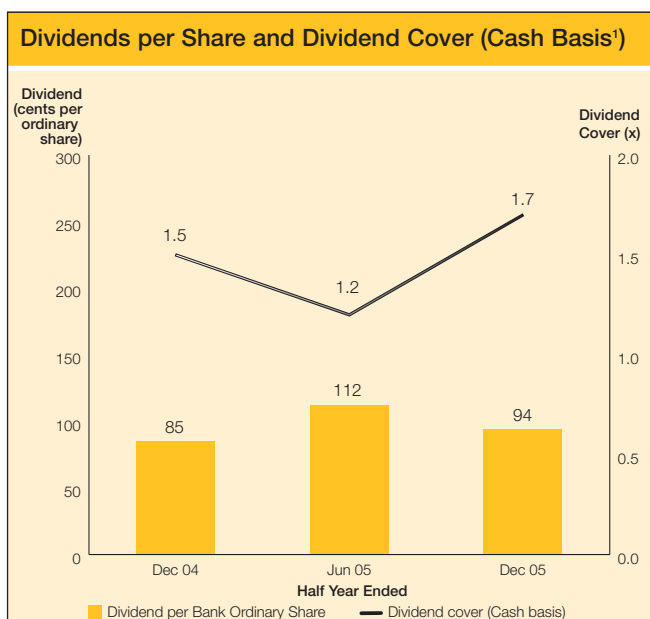
The Bank remained the largest life insurer in the Australian, New Zealand and Fiji markets.

The Bank has investment grade credit ratings. At 31 December 2005 it had retained earnings and reserves of approximately \$5.5 billion. The Bank has always paid fully franked dividends on Bank Ordinary Shares since they were listed on ASX. More detailed financial information about the

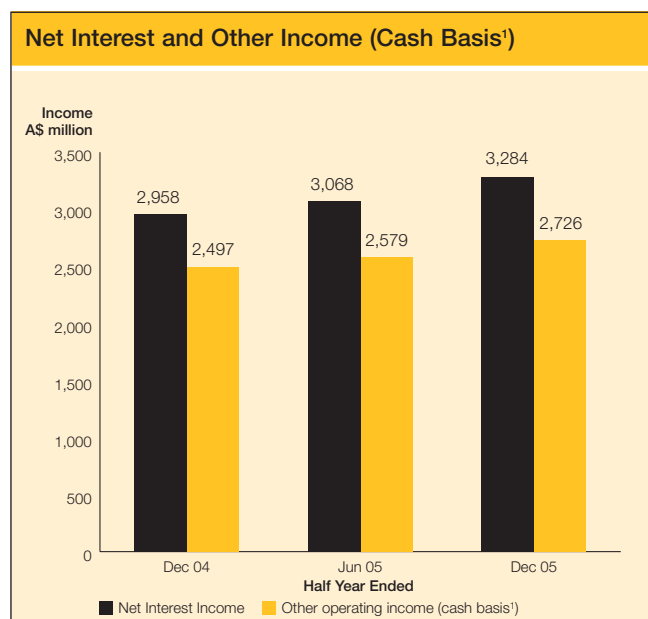


Source: CBA Half Yearly Profit Announcement (February 2006)

Section 7 Information about the Commonwealth Bank



Source: CBA Half Yearly Profit Announcement (February 2006)



Source: CBA Half Yearly Profit Announcement (February 2006)

¹ Cash basis excludes defined benefit superannuation plan expense and Treasury share valuation adjustment.

Bank is contained in the Bank's consolidated financial statements for the half year ended 31 December 2005 and the notes thereto ("Financial Statements"), (pages 27 to 72 of the Bank's Profit Announcement for the half year ended 31 December 2005 released in February 2006). The Financial Statements have been lodged with ASIC and ASX and are incorporated into this Prospectus by reference. A copy can be obtained free of charge during the Offer Period by calling the **PERLS III Information Line on 1800 742 737** (Monday to Friday 8.30am–5.30pm).

7.2 Outlook statement

The Australian economy performed well in the second half of the 2005 calendar year, despite some loss of momentum. Business credit growth has been solid, supported by infrastructure and capacity expansion while consumer credit growth has moderated.

The overall environment for financial services businesses is expected to remain highly competitive and as a result margin pressure will continue to be experienced. Domestic credit quality, high employment levels and business confidence are strong and provide a positive outlook. Offshore, economic growth is likely to remain solid although the impact of oil prices and the rate of growth in China are two factors which are particularly likely to influence the domestic economy.

In February 2005, the Bank increased its expected compound annual growth rate in cash earnings per share for the period 2003 to 2006 from exceeding 10 percent per annum to exceeding 12 percent per annum. Subject to market conditions, the Bank is reconfirming that it remains committed to at least achieving this goal. Seven months into the 2006 fiscal year, the Bank remains confident that the momentum within the business will ensure that the Bank delivers EPS growth which equals or exceeds the average of its peers. As a consequence, the Bank expects dividend per Bank Ordinary Share for the second half of the year to further increase, subject to the factors considered in its dividend policy.

7.3 Capital Management Strategy

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

The Bank has previously announced a \$500 million on-market share buyback program which is scheduled to complete on 28 October 2006. As at 1 March 2006, the Bank had purchased \$3.3 million of Bank Ordinary Shares under this program.

Section 7 Information about the Commonwealth Bank

The new issue of PERLS III is a less expensive form of capital than Bank Ordinary Shares or PERLS and increases the diversity and flexibility of the Bank's capital base.

PERLS III are expected to attract new investors to the Group and will provide new and existing investors with a different instrument through which they can gain exposure to the Bank. It is intended to raise at least \$900 million through the issue of PERLS III, but if more is raised, the Bank will not be significantly affected as PERLS III are only one avenue for raising capital as part of its active capital management strategy. The Bank will continue to implement a range of capital management initiatives as part of its strategy to maximise value for shareholders.

The Bank has announced that it intends to redeem PERLS. PERLS are required to be redeemed either from profits or from the proceeds of a fresh issue of shares in the Bank (PERLS III are not shares in the Bank for this purpose). The Bank is able to fund the redemption of PERLS through the issue of \$700 million of Short Dated Preference Shares which the Bank has the option to issue to Deutsche Bank under the Subscription Agreement described in Section 10.13 (if issued, these Short Dated Preference Shares are expected to be 'repurchased', subject to shareholder approval proposed to be sought at the Bank's 2006 AGM) or through a combination of the expected issue of \$221 million of Bank Ordinary Shares under the Bank's Dividend Reinvestment Plan for the dividend to be paid on 5 April 2006 and the issue of Short Dated Preference Shares. The Bank is also examining the possible issue of further offshore Tier 1 Capital instruments and such an issue may occur during the Offer Period. Depending on the timing and structure of any such issue, the proceeds may provide an alternative source of funds for the PERLS redemption. If such an issue occurs, it would improve the Bank's capital ratios. The instruments are expected to rank equally with PERLS III for payment of distributions out of the profits of the Bank. If such an issue occurs, it will be announced to ASX and details will be available on the Bank's website at www.commbank.com.au

7.4 Capital Ratios at 31 December 2005

Capital ratios	Actual 31/12/05	Pro forma ¹
Tier 1 Capital Ratio	7.54%	7.65%
Risk Based Capital Ratio	9.81%	9.92%

¹ Pro forma Capital Ratios as at 31 December 2005 assume the issue of \$900 million of PERLS III and redemption of \$700 million of PERLS. The issue of Short Dated Preference Shares, if it occurs, will have no impact on the Bank's capital ratios as they are not eligible regulatory capital. In accordance with APRA's requirements, the estimated issue of \$221 million of Bank Ordinary Shares under the Bank's Dividend Reinvestment Plan for the dividend to be paid on 5 April 2006, are included in Tier 1 Capital and total capital as at 31 December 2005 and therefore have no impact on the pro forma capital ratios. More than \$900 million of PERLS III may be raised. The ratios above would vary if further Tier 1 Capital instruments are issued either in addition to or instead of Short Dated Preference Shares.

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

7.5 Pro forma Financial Information

Consolidated Balance Sheet of Commonwealth Bank Group as at 31 December 2005 adjusted for the proposed PERLS III issue and redemption of PERLS (as set out in the Notes).

	Actual 31/12/05 Notes (\$m)	Pro forma (\$m)
Assets		
Cash and liquid assets	7,269	7,269
Receivables due from other financial institutions	5,279	5,279
Assets at fair value through the Income Statement:		
Trading	15,617	15,617
Insurance	25,141	25,141
Other	3,590	3,590
Derivative assets	8,238	8,238
Available for sale investments	9,605	9,605
Loans, advances and other receivables	245,606	245,606
Bank acceptances of customers	17,263	17,263
Investment property	252	252
Property, plant and equipment	1,143	1,143
Investment in associates	191	191
Intangible assets	7,740	7,740
Deferred tax assets	891	891
Other assets	3,368	3,368
Total assets	351,193	351,193

Section 7 Information about the Commonwealth Bank

	Notes	Actual 31/12/05 (\$m)	Pro forma (\$m)
Liabilities			
Deposits and other public borrowings		168,723	168,723
Payables due to other financial institutions		9,902	9,902
Liabilities at fair value through the Income Statement		16,322	16,322
Derivative liabilities		9,391	9,391
Bank acceptances		17,263	17,263
Current tax liabilities		575	575
Deferred tax liabilities		1,153	1,153
Other provisions		846	846
Insurance policy liabilities		23,055	23,055
Debt issues	1	70,036	69,615
Managed fund units on issue		1,031	1,031
Bills payable and other liabilities		3,917	3,917
		322,214	321,793
Loan capital	2	9,129	9,329
Total liabilities		331,343	331,122
Net assets		19,850	20,071

	Notes	Actual 31/12/05 (\$m)	Pro forma (\$m)
Shareholders' Equity			
Share capital:			
Ordinary share capital	3	13,801	14,022
Preference share capital	4	–	–
Reserves		1,885	1,885
Retained profits		3,641	3,641
Shareholders' equity attributable to members of the Bank		19,327	19,548
Minority Interests:			
Controlled entities		523	523
Total shareholders' equity		19,850	20,071

Source CBA Half Yearly Profit Announcement (February 2006)

Notes:

1 Net cash proceeds are expected to be utilised to repay existing debt. This assumes the issue of \$900 million of PERLS III, redemption of \$700 million of PERLS, issue of \$221 million of Bank Ordinary Shares under the Bank's Dividend Reinvestment Plan for the dividend to be paid on 5 April 2006 and issue of \$500 million of Short Dated Preference Shares. More than \$900 million of PERLS III may be raised. Levels of debt issues may vary further if other Tier 1 Capital instruments are issued either in addition to or instead of Short Dated Preference Shares, depending on the classification of the instrument.

2 Increase in loan capital assumes the redemption of \$700 million of PERLS and the issue of \$900 million of PERLS III. Levels of loan capital may vary further if other Tier 1 Capital instruments are issued either in addition to or instead of Short Dated Preference Shares, depending on the classification of the instrument.

3 Increase in ordinary share capital relates to the expected issue of \$221 million of Bank Ordinary Shares under the Bank's Dividend Reinvestment Plan for the dividend to be paid on 5 April 2006.

4 Levels of preference share capital may vary if other Tier 1 Capital instruments are issued either in addition to or instead of Short Dated Preference Shares, depending on the classification of the instrument. Any increase in the level of preference share capital is expected to be matched by a corresponding reduction in debt issues.

7.6 Credit Ratings

The Bank and PERLS III have each been rated by Standard & Poor's and Moody's .

At the time of lodgement of this Prospectus, the ratings are as follows:

Commonwealth Bank – Loan Term Senior Debt Rating	
Standard & Poor's ¹	AA-
Moody's ²	Aa3

PERLS III – Issue Credit Rating (see below)	
Standard & Poor's	A-
Moody's	A2

1 Standard & Poor's long-term senior debt rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations.

2 Moody's long-term senior debt rating is a current opinion of the future ability of an issuer to repay its long-term debt obligations and the level of legal protection afforded to the holder of a specific security based on the security's specific terms. Moody's have rated the Bank's long-term senior debt at Aa3 since 16 July 1999.

An issue credit rating is a current opinion of the creditworthiness of an obligor with respect to specific financial obligations, a specific class of financial obligations or a specific financial program. These are the prospective issue credit ratings that Standard & Poor's and Moody's have indicated will be assigned to PERLS III on issue, subject to no material changes occurring to the transaction structure or documentation.

Section 7 Information about the Commonwealth Bank

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

Standard & Poor’s Investment Grade	Moody’s Rating System Investment Grade
AAA	Aaa
AA+	Aa1
AA	Aa2
AA-	Aa3
A+	A1
A	A2
A-	A3
BBB+	Baa1
BBB	Baa2
BBB-	Baa3

Non-Investment Grade	Speculative Grade
BB+	Ba1
BB	Ba2
BB-	Ba3
B+	B1
B	B2
B-	B3
CCC+	Caa1
CCC	Caa2
CCC-	Caa3
CC	Ca

According to Standard & Poor’s:

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

According to Moody’s:

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

Ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities. Ratings may be changed, withdrawn or suspended at any time. In Australia, credit ratings are assigned by Standard & Poor’s (Australia) Pty Limited, which does not hold an Australian Financial Services Licence under the Corporations Act, and Moody’s which does not hold an Australian Financial Services Licence under the Corporations Act.

Credit ratings are subject to revision or withdrawal at any time. As at the date of this Prospectus, an issue credit rating has not been sought from any other rating agency.

Section 8

Information about PCL

8.1 PCL

PCL has the purpose of issuing PERLS III and investing in the Convertible Notes or securities issued on conversion of the Convertible Notes. PCL will have two classes of shares, PCL Ordinary Shares and PERLS III. The Bank will hold all of the PCL Ordinary Shares on issue.

PCL has sufficient working capital to carry out its stated objectives. CBA NZ has agreed to pay the initial costs of the Offer. Under the Services Deed, a subsidiary of the Bank will provide services to PCL for which PCL will pay an annual fee of \$3,000. In addition, the Bank indemnifies PCL up to a maximum amount (subject to adjustment for inflation) of \$300,000 per financial year (which may be increased at the discretion of the Bank in certain circumstances) for PCL's reasonable operating expenses (see the summary of the upfront costs and expenses agreement and the Services Deed at Section 10).

The following is a proforma Balance Sheet for PCL that is based on an assumed issue amount of \$900 million of PERLS III. If the issue amount is more than \$900 million, that will not affect PCL's proposed use of funds or returns on PERLS III as PCL will simply invest in correspondingly more Convertible Notes.

	As at the allotment date \$m ²
Assets	
CBA NZ Convertible Notes ³	900
Cash ¹	0
Total assets	900
Liabilities	
PERLS III ³	900
Total liabilities	900
Net assets	0
Equity	
Parent entity interest:	
Ordinary shares in PCL held by the Bank ¹	0
Total equity	0

1 Actual balance of \$12.

2 Assumes the issue of \$900 million of PERLS III. More than \$900 million of PERLS III may be raised.

3 Excludes issuance fees.

While PCL is not controlled by the Group or any other member of the Group, PCL will be consolidated within the Group for accounting purposes in accordance with the Urgent Issues Group Interpretation on Consolidation of Special Purpose Entities.

A summary of important features of the Constitution of PCL is set out in Section 10.

8.2 Board of Directors

Michael Cameron

Mr Cameron is the Bank's Chief Financial Officer and is the Group Executive for the Financial and Risk Management (FRM) division. FRM is responsible for the provision of specialist advice, strategies, information and policies on financial, risk and capital management matters as well as comprehensive investor relations. Mr Cameron joined the Bank in November 2002. Previously, he was Chief Operating Officer, Wealth Management Division, National Australia Bank. Mr Cameron is a Fellow of the Australian Institute of Chartered Accountants, a Fellow of CPA Australia and a Fellow of the Institute of Company Directors.

Stuart Grimshaw

Mr Grimshaw is Group Executive of the Wealth Management division of the Bank. This division spans a broad range of activities, encompassing the manufacture and administration of all non banking-related products and services distributed through direct, bank and external channels both here in Australia and internationally. Mr Grimshaw joined the Bank as Chief Financial Officer and Group Executive, Financial and Risk Management in February 2002.

Mr Grimshaw brings to the role over 20 years global and domestic expertise in understanding and managing the financial needs of business and corporate customers. Formerly Chief Executive Officer for the National Australia Bank Great Britain, Mr Grimshaw was responsible for the operations of National's Clydesdale and Yorkshire Banks, including all aspects of customer interface, board reporting and financial performance.

Hugh Harley

Hugh Harley is Group Executive, Retail Banking Services for the Bank. Hugh is responsible for leading the Bank's largest business division focused on meeting the financial needs of personal customers seeking accessible and affordable banking and financial services. Prior to taking responsibility for Retail Banking in October 2002, Hugh held the position of Executive General Manager, Retail Sales and Service where he led the Bank's 15,000 branch network and call centre employees.

Grahame Petersen

Grahame Petersen is Group Executive, Group Strategic Development for the Bank. Grahame's role includes responsibility for Group strategy, mergers and acquisitions and leadership of the Which new Bank program team implementing the customer service transformation.

He has had 26 years experience in the banking industry, having joined the former Rural Bank of New South Wales as a graduate in 1980. His career in the finance industry is extensive and varied. Grahame has held senior management roles in business banking, corporate banking, business recovery, retail banking, cards and merchant services and funds management. He has also worked in London and New York.

Section 9

Taxation information

Greenwoods & Freehills

2 March 2006

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The Directors
Preferred Capital Limited
Level 7
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Dear Directors

Australian Taxation Consequences of Redemption of Preferred Exchangeable Resettable Listed Shares ("PERLS") and investing in Preferred Exchangeable Repurchaseable Listed Shares ("PERLS III")

We have been instructed to prepare a summary of the Australian income tax and capital gains tax ("CGT") consequences for inclusion in the Prospectus regarding the issue of PERLS III and redemption of PERLS.

This summary outlines both the Australian taxation consequences of redemption of PERLS and those arising for Australian resident individual investors ("Holders") who acquire PERLS III and hold these shares on capital account.

Tax considerations which may arise for individual investors who are in the business of share trading, dealing in securities or otherwise hold the PERLS III on revenue account have not been considered in this tax summary.

This summary is based on the income tax law and administrative practice in force as at the date of the Prospectus. It is necessarily general in nature and is not intended to be definitive advice to Holders. Accordingly, each Holder should seek their own tax advice that is specific to their particular circumstances.

The Australian Taxation Office ("ATO") has issued a Class Ruling confirming the tax consequences for Holders as discussed in this summary.

Unless the context indicates otherwise, all capitalised terms bear the same meaning as those contained in the Glossary of the Prospectus, and the Terms of Issue of PERLS III.

1 Taxation treatment of redemption of PERLS

The ATO has issued a Class Ruling confirming that no part of the redemption proceeds of \$200 per PERLS is a dividend and that PERLS holders will be treated for CGT purposes as having received capital proceeds of \$200 per PERLS.

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Greenwoods & Freehills Pty Limited ABN 60 003 146 852

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2 Taxation treatment of Dividends paid in respect of PERLS III

PERLS III are properly classified for tax purposes as equity interests in PCL rather than “debt interests”.

Accordingly, the Dividends on PERLS III should be frankable distributions for tax purposes.

It is expected that PCL will only pay fully franked Dividends on PERLS III. Accordingly, all Holders should include in their assessable income, the amount of the fully franked Dividends, grossed up for the franking credits attached to the Dividends, unless a Holder is not a “qualified person” (refer section 3 below).

Holders may qualify for the tax offset (equivalent to the franking credits attached to the Dividends) against their income tax liability for the relevant income year provided they are “qualified persons” (refer section 3 below).

To the extent the tax offset attributable to the franking credit on a Dividend exceeds the amount of a Holder’s income tax liability for an income year, the excess franking credit may be refunded to the Holder. Excess franking credits cannot be carried forward to a later income year.

3 Qualification for franking credits on Dividends paid in respect of PERLS III

Certain imputation measures contained in the Tax Act provide that a shareholder is not required to include the grossed up amount of the franking credits in its assessable income and is not entitled to the tax offset unless the shareholder is a “qualified person” in relation to the dividend.

A shareholder is a “qualified person” if the shareholder satisfies the holding period and related payment rules.

In terms of the holding period rule, a Holder must have held the PERLS III “at risk” for a continuous period of at least 90 days (excluding the day of disposal) within a period beginning on the day after the date on which the Holder acquired the PERLS III and ending on the 90th day after the date on which the PERLS III became ex-dividend.

A Holder would be “at risk” in relation to PERLS III provided that any of the arrangements it enters into does not result in materially reduced risks of loss or opportunities for gain in relation to PERLS III. In calculating the holding period rules, any days where the Holder has materially diminished its risk of loss or opportunity for gain in relation to the PERLS III are excluded. A Holder is taken to have materially diminished risk or opportunities for gain if the Holder’s net position in relation to the PERLS III is such that the Holder has less than 30% of the risks and opportunities associated with the PERLS III.

Under the “related payments rule”, a Holder who is obliged to make a “related payment” (essentially a payment passing on the benefit of the Dividend) in respect of a Dividend arising on the PERLS III must hold the PERLS III “at risk” for at least 90 days (not including the days of acquisition and disposal) within each period beginning 90 days before and ending 90 days after the PERLS III became ex-dividend.

Alternatively, a Holder is automatically taken to be a qualified person in relation to dividends paid on shares if the total amount of the tax offsets in respect of all franked distributions to which the Holder would be entitled in an income year is \$5,000 or less. This is referred to as the Small Shareholder Rule. However, a Holder will not be a “qualified person” by virtue of the Small Shareholder Rule if related payments have been made, or will be made in respect of the Dividend or a distribution attributable to the Dividend.

Although certain changes to the tax law have affected the applicability of these rules, the Government has indicated in a Press Release dated 27 September 2002 that it intends to amend the law to ensure these rules continue to apply without substantive change.

4 Disposal or exchange of the PERLS III

Each PERLS III will constitute an asset for CGT purposes. Therefore, the disposal or exchange of each PERLS III may give rise to a capital gain or loss for CGT purposes.

A Holder’s cost base or reduced cost base of PERLS III respectively will include the amount paid to acquire the PERLS III (when issued by PCL or acquired from another investor) as well as the incidental costs (e.g. broker fees) associated with the acquisition and disposal of the PERLS III.

4.1 Disposal on market

To the extent that the capital proceeds received by a Holder on the sale of the PERLS III exceed the cost base of the PERLS III, the excess would constitute a capital gain in the hands of the Holder. Conversely, a capital loss would arise on a sale of the PERLS III equal to the amount by which the sale proceeds are less than the reduced cost base of the PERLS III.

If the PERLS III have been owned for at least 12 months prior to the sale, a Holder may be entitled to receive the CGT discount treatment in respect of any gain arising on disposal of the PERLS III. The discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The discount percentage is 50% for individuals.

Holders who dispose of the PERLS III within 12 months of acquiring them or after 12 months under an agreement entered into within 12 months of acquisition will not be entitled to the CGT discount treatment.

4.2 Exchange of PERLS III

In certain circumstances, some or all of a Holder’s PERLS III may be exchanged for:

- (1) Bank Ordinary Shares;
- (2) Bank PERLS III Preference Shares; or
- (3) a cash amount equal to the Face Value of each PERLS III exchanged.

Generally for CGT purposes, the exchange of a capital asset for a replacement asset could give rise to the recognition of a capital gain or capital loss. However, special rules apply to defer the realisation of any capital gain or loss that would

otherwise be crystallised upon the conversion of a convertible interest. The expression “convertible interest” is defined by the Tax Act as including certain securities which will or may be converted into other equity interests in the issuing company, or a connected entity of that company.

In the present context, it is our view that the Bank is properly described as being a connected entity of PCL by virtue of the ownership of the one ordinary share. Therefore any capital gain which would otherwise be realised upon the exchange of the PERLS III for Bank Ordinary Shares, or Bank PERLS III Preference Shares will be ignored. The cost base of the PERLS III formerly held by a Holder will represent the cost base of the replacement interests. The Bank Ordinary Shares or the Bank PERLS III Preference Shares are deemed to have been acquired at the time when the PERLS III are exchanged.

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

4.3 Repurchase of PERLS III

In the event that PCL repurchases the PERLS III from a Holder by way of redemption, buy-back or cancellation, the repurchase will give rise to a taxing event for CGT purposes.

Generally, the capital proceeds received by a Holder on repurchase (which is relevant to working out any capital gain or loss by reference to the Holder’s cost base or reduced cost base) should be equal to the repurchase proceeds. If the market value of the PERLS III (worked out as if the repurchase had not occurred and was never proposed to occur) is greater than the repurchase proceeds, any capital gain the Holder makes as a result of the repurchase may be increased (or any capital loss the Holder makes may be reduced). In the case of a repurchase other than by way of buy-back, if the market value of the PERLS III (worked out as if the repurchase had not occurred and was never proposed to occur) is less than the repurchase proceeds, any capital gain the Holder makes as a result of the repurchase may be reduced (or any capital loss the Holder makes may be increased).

5 Dividends paid on Bank Ordinary Shares or Bank PERLS III Preference Shares

Where the PERLS III are exchanged for Bank Ordinary Shares or Bank PERLS III Preference Shares, any dividends paid on such shares, together with any associated franking credits where the dividends are franked, will be included in the assessable income of the Holder.

A tax offset equal to the amount of the franking credit should generally be available to the Holder, provided that the Holder is a “qualified person” as mentioned earlier in section 3 of this letter.

6 Disposal of Bank Ordinary Shares or Bank PERLS III Preference Shares

Where a Holder disposes of the Bank Ordinary Shares or the Bank PERLS III Preference Shares acquired upon exchange of the PERLS III, a CGT event will arise. The Holder will generally derive a capital gain, if the capital proceeds from the disposal exceed the cost base of the Bank Ordinary Shares or the Bank PERLS III Preference Shares (worked out as mentioned in section 4 of this letter).

Conversely, a Holder will make a capital loss, if the capital proceeds from the disposal is less than the reduced cost base of the Bank Ordinary Shares or the Bank PERLS III Preference Shares (worked out as mentioned in section 4 of this letter).

If the Bank Ordinary Shares or the Bank PERLS III Preference Shares have been owned for at least 12 months prior to the sale, a Holder may be entitled to receive the CGT discount treatment in respect of any gain arising on disposal of the Bank Ordinary Shares or the Bank PERLS III Preference Shares provided such disposal does not occur under an arrangement entered into within 12 months. The discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The discount percentage is 50% for individuals.

Holders who dispose of the Bank Ordinary Shares or the Bank PERLS III Preference Shares within 12 months of acquiring them or after 12 months under an agreement entered into within 12 months of acquisition will not be entitled to the CGT discount treatment.

7 Conversion of Bank PERLS III Preference Shares

There should be no taxation consequences as a result of each Bank PERLS III Preference Share being converted into a Bank Ordinary Share and additional Bank Ordinary Shares being issued. Upon conversion of a Bank PERLS III Preference Share the cost base of the Bank PERLS III Preference Share is apportioned over both the Bank Ordinary Share into which each Bank PERLS III Preference Share converts and the additional Bank Ordinary Shares issued on conversion. The Bank Ordinary Shares are deemed to have been acquired at the time when the Bank PERLS III Preference Shares were acquired.

8 Repurchase of Bank PERLS III Preference Shares

In the event that the Bank repurchases the Bank PERLS III Preference Shares from a Holder by way of redemption, buy-back or cancellation, the repurchase will give rise to a taxing event for CGT purposes.

Generally, the capital proceeds received by a Holder on repurchase (which is relevant to working out any capital gain or loss by reference to the Holder's cost base or reduced cost base) should be equal to the repurchase proceeds (which should be the Face Value of the Bank PERLS III Preference Shares). If the market value of the Bank PERLS III Preference Shares (worked out as if the repurchase had not occurred and was never proposed to occur) is greater than the repurchase proceeds, any capital gain the Holder makes as a result of the repurchase may be increased (or any capital loss the Holder makes may be reduced). In the case of a repurchase other than by way of buy-back, if the market value of the Bank PERLS

III Preference Shares (worked out as if the repurchase had not occurred and was never proposed to occur) is less than the repurchase proceeds, any capital gain the Holder makes as a result of the repurchase may be reduced (or any capital loss the Holder makes may be increased).

9 Pay-as-you-go withholding tax

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

In the event that PCL is not so notified, tax will be automatically deducted at the highest marginal tax rate (including Medicare levy) from the gross cash Dividends to the extent the Dividends are not franked. At present, this rate is 48.5%.

Holders will be able to claim a tax credit/rebate (as applicable) in respect of the tax withheld on the Dividends in their income tax returns.

10 GST

Holders should not be liable to GST in respect of their investment in PERLS III or the exchange of PERLS III for Bank Ordinary Shares or Bank PERLS III Preference Shares. However, Holders registered for GST are unlikely to be entitled to an input tax credit for any GST paid in respect of costs associated with the acquisition of PERLS III (e.g. adviser fees).

11 Disclaimer

This advice does not purport to give advice to any specific Holder, as each Holder’s tax position will depend on their own particular circumstances. Holders should seek their own professional tax advice regarding their individual circumstances.

The representatives of Greenwoods & Freehills Pty Limited involved in preparing this opinion are not licensed to provide financial product advice in relation to dealing in securities. Applicants for PERLS III should consider seeking advice from a suitably qualified Australian Financial Services Licence holder before making any investment decision. Applicants should also note that taxation is only one of the matters that may need to be considered.

Yours faithfully
GREENWOODS & FREEHILLS PTY LIMITED
per:



Mark Ferrier
Director

Section 10

Summary of important documents

Section 10 Summary of important documents

This Section summarises the Constitution of PCL and other important documents relating to the issue of PERLS III. It does not summarise the PERLS III Terms of Issue, which are set out in full in Appendix A, or the Bank PERLS III Preference Shares Terms of Issue, which are set out in full in Appendix B.

PCL will provide a copy of any of the documents summarised below free of charge to any person who requests a copy during the Offer Period. If you would like to obtain a copy of any of the documents, refer to Section 11.1 of this Prospectus.

10.1 Overview of terms and conditions of PERLS III and related instruments

Rights attaching to PERLS III are contained in:

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

The PERLS III Terms of Issue are set out in full at Appendix A. A summary of the remainder of the Constitution is set out in Section 10.2.

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

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

- (a) PERLS III might be exchanged for Bank Ordinary Shares or Bank PERLS III Preference Shares. Certain rights attaching to Bank Ordinary Shares are set out in the Constitution of the Bank. See Section 10.4 for a summary of certain important rights attaching to Bank Ordinary Shares. The Bank PERLS III Preference Shares Terms of Issue are set out in full in Appendix B. See also “How are Bank PERLS III Preference Shares different from PERLS III?” in Section 3.

- (b) The proceeds of the issue of PERLS III will be invested by PCL in Australian dollar denominated Convertible Notes issued by CBA NZ. The terms of these Convertible Notes are contained in the Convertible Note Deed. See Section 10.5 for a summary of rights attaching to Convertible Notes under the Convertible Note Deed. The Convertible Notes may convert into Bank PERLS III Preference Shares in certain circumstances.

10.2 Constitution

The rights and obligations of holders of ordinary shares and preference shares in the capital of PCL are governed by the Constitution and the Corporations Act.

This Section contains a summary of the main provisions of the Constitution which apply to PERLS III. This Section does not include the PERLS III Terms of Issue. For further details of the rights attaching to PERLS III, see Section 3 and the PERLS III Terms of Issue set out in full in Appendix A.

(a) Issue of PERLS III

Subject to any rights and restrictions attached to a class of shares, PCL may, with the prior approval of PCL Ordinary Shareholders, issue new PERLS III.

(b) Class rights of PERLS III

Subject to the PERLS III Terms of Issue, the rights attaching to PERLS III may only be cancelled or varied, and PERLS III may only be converted from one class to another, by:

- a Special Resolution of PCL with the prior approval of PCL Ordinary Shareholders; and
- a Special Resolution of PERLS III Holders or the written consent of members who are entitled to at least 75% of the votes that may be cast in respect of PERLS III.

(c) Amending the Constitution

A resolution to amend the Constitution does not have any effect until it is approved by:

- a Special Resolution of all members entitled to vote; and
- an Ordinary Resolution of PCL Ordinary Shareholders.

(d) Reduction of capital and buybacks

PCL cannot reduce its share capital or buyback PERLS III except as expressly permitted by the PERLS III Terms of Issue, or if approved by both of:

- a Special Resolution of all members entitled to vote; and
- an Ordinary Resolution of PCL Ordinary Shareholders.

(e) Transfer of PERLS III

While PCL is admitted to the official list of ASX, PERLS III may be transferred in accordance with the ASTC Settlement Rules and the Corporations Act. Subject to the ASTC Settlement Rules, transfers of PERLS III are not effective until the transfer is registered by PCL.

(f) Exchange of PERLS III

Where a PERLS III Holder is required under the Constitution or the PERLS III Terms of Issue to transfer or assign a PERLS III, or any right, title or interest in a PERLS III, whether to PCL, to a PCL Ordinary Shareholder, or to a third party, then PERLS III must be transferred or assigned, and the PCL Ordinary Shareholder may require the transfer or assignment, free of any third party interests. In these circumstances, the PERLS III Holder, the PCL Ordinary Shareholder and PCL must do all things necessary to effect the transfer or assignment.

(g) Power of attorney

Where a PERLS III Holder is required under the Constitution or the PERLS III Terms of Issue to transfer or assign a PERLS III, or any right, title or interest in a PERLS III, each PERLS III Holder irrevocably:

- appoints the PCL Ordinary Shareholder to be its attorney and agent for the purpose of effecting, recording or perfecting the transfer or assignment; and
- authorises and directs PCL to record the transfer or assignment in the register.

(h) Election Rules

Where PCL is required under clauses 4, 5 or 6 of the PERLS III Terms of Issue to issue a notice, exercise a discretion, make a decision or do any other thing in accordance with the Election Rules, PCL must notify the PCL Ordinary Shareholder (the Bank) of the requirement to comply with the Election Rules, and PCL and the PCL Ordinary Shareholder must cooperate in relation to those matters. If they fail to agree within a reasonable time, then PCL must comply with the directions of the PCL Ordinary Shareholder in relation to those matters.

(i) Director appointment

PCL must have at least four and not more than five directors. PERLS III Holders have certain rights to appoint and remove directors (the “Representative Directors”) set out in the PERLS III Terms of Issue. At the time of issue of PERLS III under this Prospectus, the three Representative Directors will be Stuart Grimshaw, Hugh Harley and Grahame Peterson. PCL Ordinary Shareholders have certain rights to appoint and remove directors (the Ordinary Share Representative Directors) set out at Section 10.3. At the time of issue of PERLS III under this Prospectus, the Ordinary Share Representative Director will be Michael Cameron.

(j) Dividends

While PERLS III are on issue the directors must cause the profits of PCL (after allowance for taxation) which are available to be distributed and lawfully paid as dividends in respect of each Dividend Period to be applied in payment of a Dividend on PERLS III in accordance with the PERLS III Terms of Issue, with any remainder after this requirement has been satisfied to be applied in payment of a dividend on PCL Ordinary Shares, provided always that the Corporations Act or any other law does not prohibit PCL from paying the dividend.

Rights of PERLS III Holders with respect to the payment of Dividends are set out in the PERLS III Terms of Issue. PERLS III Holders rank in priority to PCL Ordinary Shareholders with respect to the payment of dividends by PCL.

(k) Meetings

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

Section 10 Summary of important documents

10.3 Rights attaching to PCL Ordinary Shares

As at the Allotment Date, all PCL Ordinary Shares will be issued to the Bank, which will accordingly be the sole PCL Ordinary Shareholder as at that date.

(a) Issue of PCL Ordinary Shares

Further PCL Ordinary Shares may only be issued with the prior approval of the PCL Ordinary Shareholder. Any PCL Ordinary Shares issued will be fully paid and will rank equally with the PCL Ordinary Shares already on issue in all respects. Each PCL Ordinary Share is freely transferable.

(b) Dividends

A PCL Ordinary Shareholder ranks equally with any other PCL Ordinary Shareholder but junior to PERLS III Holders with respect to the payment of dividends by PCL.

(c) Appointment and removal of Directors

One director of PCL (or all directors of PCL, if PCL has no classes of shares other than PCL Ordinary Shares on issue) shall represent the interests of PCL Ordinary Shareholders, and PCL Ordinary Shareholders may by resolution remove the director (or directors, as applicable) and appoint a replacement. Where there is only one PCL Ordinary Shareholder at the time of this appointment, any replacement director must be an executive of the PCL Ordinary Shareholder.

If the director (or directors, as applicable) representing the interests of PCL Ordinary Shareholders resigns or dies or otherwise ceases to be a director pursuant to the Constitution, the directors must appoint a replacement selected by the PCL Ordinary Shareholders. Where there is only one PCL Ordinary Shareholder, any replacement director must be an executive of the PCL Ordinary Shareholder.

See Section 10.2(i) for further details.

10.4 Rights attaching to Bank Ordinary Shares

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

(a) Transfers

Subject to the ASTC Settlement Rules, transfers of Bank Ordinary Shares are not effective until registered. Bank Ordinary Shares are transferable, subject to the Listing Rules and the Bank's constitution, and the right of the directors of the Bank to refuse to register a transfer of Bank Ordinary Shares in limited circumstances.

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

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

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

(b) Dividends

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

(c) Winding-up

On winding-up of the Bank, Bank Ordinary Shares will participate in the division of any surplus assets of the Bank.

(d) Meetings

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

(e) Issue of further shares

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

10.5 Rights attaching to Convertible Notes under the Convertible Note Deed

The funds raised by PCL on subscription for PERLS III will be invested in Convertible Notes. Convertible Notes are Australian dollar denominated unsecured obligations of the Bank issued through CBA NZ.

(a) Ranking

Payments of interest and principal under the Convertible Notes are subordinated to the Bank's obligations to its depositors and other creditors including other subordinated creditors other than the PERLS II Convertible Notes and subordinated creditors holding subordinated indebtedness that ranks or is stated to rank equally with or junior to the Convertible Notes. The Convertible Notes rank in right of payment of principal and interest equally with the PERLS II Convertible Notes.

On a winding-up of the Bank, the Convertible Notes, in practical terms, rank equally with Ordinary Shares, as set out in Section 10.5(g) below.

(b) Principal

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

(c) Interest

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

$$\text{Interest} = \frac{\text{Interest Rate} \times \text{face value} \times D}{365}$$

where: D is the number of days in the relevant Interest Period.

The Interest Rate for each Interest Period is the Bank Bill Swap Rate on the first Business Day of the Interest Period less the discount of 0.28%.

The first Interest Period ends at but excludes 6 July 2006. Until 6 April 2046 (the Conversion Date), Interest Periods will end at but exclude on 6 January, 6 April, 6 July and 6 October in each year.

Interest is payable to PCL in arrears on each Interest Payment Date. However, interest will not be payable on an Interest Payment Date unless:

- the board, at its discretion and on a conditional or unconditional basis, declares all or a portion of the interest to be payable or otherwise resolves to pay all or a portion of the interest; and
- no Deferral Condition has occurred.

If interest accrued is not paid in full on an Interest Payment Date due to either the failure by the board to declare or resolve to pay the interest on the Convertible Notes, or to the existence of a Deferral Condition, the payment of the interest that has accrued but is not paid will be deferred until the next Interest Payment Date or such earlier time as the Bank notifies PCL in writing, unless otherwise approved by APRA.

(d) Conversion

The Convertible Notes automatically convert into Bank PERLS III Preference Shares on the Conversion Date of 6 April 2046.

(e) Redemption

If the Bank becomes the holder of PERLS III then, subject to any required regulatory approval, the Bank must, on the date that the PERLS III are repurchased by PCL in accordance with the PERLS III Terms of Issue, redeem a number of Convertible Notes which is equal to the number of PERLS III that PCL is required to repurchase for an amount per Convertible Note equal to the Face Value.

The Face Value of the Convertible Notes outstanding will only be payable if the Convertible Notes are redeemed for cash pursuant to the Convertible Note Deed.

(f) Further issues

Convertible Notes do not confer any rights on PCL to subscribe for new securities in the Bank, other than by way of Conversion, or to participate in any bonus issues.

The Bank reserves the right to issue further securities or permit the conversion of securities to securities which rank senior to, equally with or behind the Convertible Notes, whether in respect of interest, dividends, returns of capital on a winding-up or otherwise.

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(g) Winding-up

If an APRA Event or Default Event has occurred, but Ordinary Shares have not been issued to holders of PERLS III (other than the Bank or holders who hold on behalf of the Bank) in accordance with the PERLS III Terms of Issue, and the Bank is in liquidation, PCL will only be entitled to a claim against the Bank under the Convertible Notes equivalent to the claim that PCL would have had if it held the number of Ordinary Shares that would have been issued to the holders of PERLS III (including the Bank or holders who hold on behalf of the Bank) under the PERLS III Terms of Issue upon the occurrence of the relevant event, but on the basis that the Face Value will be taken to mean the aggregate of the Face Value of PERLS III and any declared and unpaid Dividends on PERLS III.

(h) Transfer

PCL cannot sell, transfer, assign or otherwise dispose of any interest in the Convertible Notes other than pursuant to the Convertible Note Deed or the PERLS III Terms of Issue without the Bank's consent.

(i) Change of branch/obligation of the Bank

The Convertible Notes will be issued through CBA NZ (the Bank's New Zealand branch).

The Bank may, by notice to PCL, change the branch through which it acts in respect of the Convertible Notes.

(j) Obligations of the Bank

The obligations of the Bank are not limited to the New Zealand assets of the Bank. If the Bank is unable to make a payment under the Convertible Notes from CBA NZ (or such other branch as the Bank has elected), it shall make the payment from some other branch.

(k) Time limits for claims

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

(l) Amendment

The terms of the Convertible Notes may be amended by the mutual consent of the Bank and PCL provided that where the amendment:

- would materially adversely affect PERLS III Holders, a Special Resolution of PERLS III Holders consenting to such amendments must be obtained; or
- affects the treatment of PERLS III as Tier 1 Capital of the Bank, the consent of APRA is required to amend the terms.

10.6 Top-up Deed

The Bank and PCL entered into a Top-up Deed on or about 23 February 2006.

(a) Top-up Payments

The Bank has a right, in its absolute discretion, to donate additional funds (each a Top-up Payment) to PCL if PCL has (or is expected to have) insufficient profits or funds to pay in full a Dividend under the PERLS III Terms of Issue, subject to the following:

- A Top-up Payment will not be payable unless:
 - the Board of Directors of the Bank declares the Top-up Payment to be payable or otherwise resolves to make the Top-up Payment;
 - no Deferral Condition has occurred; and
 - APRA has approved the proposed payment.
- The Bank must not make a Top-up Payment if the Bank would be prevented under the terms of issue of any securities issued by the Group from paying any interest on the Convertible Notes.

(b) Receipt of Top-up Payment by PCL

PCL will accept the Top-up Payment when made.

(c) Information

PCL must provide to the Bank information reasonably required by the Bank in connection with the Top-up Deed.

10.7 Upfront costs and expenses agreement

CBA NZ and PCL entered into an agreement on or about 23 February 2006 under which, in consideration for PCL agreeing to subscribe for Convertible Notes, CBA NZ agrees to pay all of PCL's upfront costs and expenses in connection with the Offer and the issue of PERLS III including, without limitation, all legal, accounting, share registry, listing, printing, advertising and other expenses.

10.8 Netting Deed

The Bank and PCL entered into a Netting Deed on or about 23 February 2006. The Netting Deed provides for certain payment obligations of the Bank and PCL to be netted off against each other, namely any obligation of PCL to pay dividends to the Bank in its capacity as PCL Ordinary Shareholder (and in its capacity as PERLS III Holder, if the Bank holds PERLS III), or to pay any amounts in consideration for the repurchase by PCL of PERLS III held by the Bank, and any obligation of the Bank to pay interest or other amounts to PCL under the Convertible Note Deed or the Top-up Deed.

10.9 Exchange Deed

The Bank and PCL entered into an Exchange Deed on or about 23 February 2006. The Exchange Deed regulates the mechanics of exchange of PERLS III under the PERLS III Terms of Issue and the relationship between the parties.

(a) Exchange

Under the PERLS III Terms of Issue and the Exchange Deed, in certain circumstances PCL may issue a notice to PERLS III Holders indicating that some or all PERLS III will be acquired by the Bank from PERLS III Holders in exchange for Ordinary Shares or for cash (or both). In certain circumstances PCL must issue a notice to PERLS III Holders indicating that an event has occurred as a consequence of which all PERLS III will be acquired by the Bank from PERLS III Holders in exchange for Ordinary Shares or Bank PERLS III Preference Shares.

The Exchange Deed provides that in any of these events, subject to PCL complying with the Election Rules under the PERLS III Terms of Issue and the Constitution, the Bank must do all things reasonably necessary to be done by it to acquire the number of PERLS III that are to be exchanged for the specified consideration.

(b) Repurchase of PERLS III

If PERLS III held by the Bank are to be redeemed, bought back or otherwise cancelled by PCL for Face Value under the PERLS III Terms of Issue, then PCL must, at the Bank's expense, use its best endeavours to obtain any approvals or other requirements necessary to give effect to the redemption, buyback or cancellation, including any approvals by PCL Ordinary Shareholders and/or PERLS III Holders.

(c) Quotation of Ordinary Shares and Bank PERLS III Preference Shares

The PERLS III Terms of Issue provide that the Bank will do such things as may be reasonably necessary to procure the quotation on each Exchange Date of all Bank Ordinary Shares or Bank PERLS III Preference Shares issued by it on exchange of PERLS III. The Bank agrees to comply with those obligations as if it were bound by them.

(d) Payments and transactions affecting share capital by the Bank

PCL must direct the Bank to comply with the Dividend Stopper provisions of the PERLS III Terms of Issue. With certain specified exceptions, if each PERLS III Holder is not paid a Dividend in full within 20 Business Days of the Dividend Payment Date, the Bank is prevented from paying, and PCL must procure that the Bank does not pay, any interest, dividends or distributions, or undertaking certain other transactions in respect of PERLS II Securities, Trust Preferred Funding Securities or any securities of the Bank that rank or are expressed to rank for interest payments, dividends or distributions equally with or junior to the Convertible Notes or Bank PERLS III Preference Shares unless and until such payment or transaction is approved by Special Resolution of PERLS III Holders, or an amount in aggregate equal to the unpaid amount or amounts of the full dividend on PERLS III and/or Bank PERLS III Preference Shares (as applicable) for the preceding four consecutive Dividend Periods has been paid to PERLS III Holders. The Bank must comply with any such direction from PCL.

(e) Provision of information

The Bank must provide PCL with information of which it is aware concerning PERLS III and the Convertible Notes in such form and detail as is required by PCL to comply with its disclosure obligations under applicable laws and requirements, including under the Listing Rules.

The Bank is not required to disclose confidential information where such disclosure would result in breach of a binding confidentiality undertaking given by it unless disclosure is required by law (including under the Listing Rules).

Subject to law, if requested by the Bank, PCL must provide the Bank with information about the holders of PERLS III or any other information about PERLS III reasonably required by the Bank.

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10.10 Services Deed

PCL, the Bank and Securitisation Advisory Services Pty Limited (SAS) entered into a Services Deed on or about 23 February 2006. Under the Services Deed, SAS (a subsidiary of the Bank) agrees to provide certain administrative, financial, company secretarial and other support services to PCL. PCL will pay SAS an annual fee of \$3,000 in quarterly instalments each year. SAS is not entitled to reimbursement from PCL for any expenses that it incurs in providing these services.

The Bank indemnifies PCL up to a maximum amount of \$300,000 per financial year for all of PCL's reasonable expenses that it incurs in the course of its activities and in accordance with the Constitution. This excludes any upfront costs and expenses of PCL in connection with the issue of PERLS III. Written consent of the Bank (not to be unreasonably withheld or delayed) is required before incurring any expense over \$10,000. If the expenses of PCL to be indemnified exceed the maximum amount of \$300,000 per financial year then PCL may request and the Bank may in its absolute discretion increase the maximum amount for that financial year or thereafter. The maximum amount of \$300,000 is subject to adjustment by reference to changes in a consumer price index.

PCL may terminate the appointment on three months' written notice or immediately on written notice in certain circumstances, for example, if SAS is in default of its obligations under the deed or in circumstances, for example, of insolvency. SAS may terminate its appointment on three months' written notice provided it secures the appointment of a suitable replacement.

10.11 Intermediary Arrangement Deed

PCL and CommSec entered into an Intermediary Arrangement Deed on or about 23 February 2006. Under the Intermediary Arrangement Deed, CommSec has been appointed and authorised to make offers to people to arrange for the issue of PERLS III, and to provide all financial services in connection with the Offer other than those services which it is not authorised to provide under its Australian Financial Services Licence or any custodial or depositary service. PCL has agreed to issue PERLS III in accordance with such offers in accordance with the allocation principles set out in this Prospectus and the Offer

Management Agreement referred to below.

CommSec represents and warrants that it is authorised under its Australian Financial Services License to act as an authorised intermediary to make offers to arrange for the issue of PERLS III.

No fees are payable to CommSec in connection with its appointment as arranger under the Intermediary Arrangement Deed. PCL indemnifies CommSec and certain of its employees, officers, delegates, agents or contractors for losses, costs and other liabilities in connection with CommSec making offers to people to arrange for the issue of PERLS III under the Offer and the acceptance of such offers.

PCL may terminate the appointment of CommSec at any time by written notice.

10.12 Offer Management Agreement

PCL, the Bank and the Joint Lead Managers entered into the Offer Management Agreement on or about 23 February 2006. Under the Offer Management Agreement, the Bank and PCL appointed the Structuring Advisers as arrangers and the Joint Lead Managers as joint lead managers and joint bookrunners for the Offer.

Under the Offer Management Agreement, the Joint Lead Managers agree to conduct the Bookbuild for the purpose of setting the Initial Margin and determining the allocation of PERLS III to institutional investors, and to the Joint Lead Managers, Co-Managers and participating brokers for allocation to their Australian resident retail clients under the Broker Firm Offer.

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

The Offer Management Agreement imposes an obligation on PCL and the Bank to not, and on the Bank to procure that neither it, nor any of its controlled entities, do not allot, agree to allot, or announce any issue of, indicate in any way that it will allot, or otherwise authorise the issue of any hybrid or preference securities with Tier 1 Capital status in

Section 10 Summary of important documents

the domestic market on or before the Allotment Date without the prior written consent of the Joint Lead Managers.

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

The Joint Lead Managers have agreed to provide settlement support for the PERLS III allocated to institutional investors and participating brokers through the Bookbuild. As part of that settlement support, the Joint Lead Managers will pay, or procure payment of, the aggregate proceeds raised from institutional investors and participating brokers through the Bookbuild to PCL.

PCL will pay the Structuring Advisers 0.75% of the amount by which the total proceeds of the Offer exceed \$500 million.

PCL will pay the Joint Lead Managers:

- (a) 0.5% of the amount being lesser of the total proceeds of the Offer and \$500 million;
- (b) 0.75% of the amount of PERLS III allocated to institutional investors;
- (c) 1.00% of the amount of PERLS III allocated under the Broker Firm Offer; and
- (d) 0.50% of the amount of PERLS III allocated under the Reinvestment Offer, Securityholder Offer and General Offer bearing a broker stamp.

Subject to PCL having paid the fees referred to above, the Joint Lead Managers are responsible for paying Commission and other fees due to certain institutional Co-Managers and other participating brokers.

The Bank must also pay, or reimburse the Joint Lead Managers for, all reasonable costs (except their legal fees), of and incidental to any aspect of the Offer or the Offer Management Agreement.

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

- (a) the credit rating assigned to the Bank or to PERLS III at the date of this agreement by Standard & Poor's or

Moody's is downgraded or withdrawn or that credit rating is placed on credit watch negative;

- (b) a material contravention by any of PCL, the Bank or the Bank's controlled entities, of the Corporations Act, its constitution, the material documents summarised in Section 10 of this Prospectus or any of the Listing Rules;
- (c) any of the documents issued or published by or on behalf of PCL in respect of the Offer does not comply in all material respects with the Corporations Act, the Listing Rules or any other applicable law or regulation;
- (d) approval is refused or not granted, other than subject to customary conditions, to the official quotation of PERLS III on ASX on or before the day before the Allotment Date, or if granted, the approval is subsequently withdrawn, qualified or withheld;
- (e) any of the following notifications are made:
 - (i) ASIC issues an order or interim order under section 739 of the Corporations Act;
 - (ii) an application is made by ASIC for an order under section 1324B or 1325 of the Corporations Act in relation to this Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act in relation to this Prospectus;
 - (iii) any person (other than each Joint Lead Manager) who has previously consented to the inclusion of its name in this Prospectus (or any supplementary Prospectus) or to be named in this Prospectus withdraws that consent
- (f) PCL withdraws this Prospectus or the Offer;
- (g) any of the All Ordinaries Index of the ASX, the S&P ASX 200 or the Dow Jones Industrial Average (each a "Relevant Index"):
 - (i) closes on three consecutive business days at a level that is 10% or more below the level of the Relevant Index as at the close of trading on the business day before the date of the Offer Management Agreement ("Starting Level");
 - (ii) closes at a level that is 10% or more below the Starting Level for consecutive days, excluding the Allotment Date, in the period of three business days prior to the Allotment Date;
 - (iii) closes at a level that is 15% or more below the Starting Level;

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- (h) the occurrence of:
 - (i) a suspension or material limitation (in each case persisting for at least one business day) in trading in securities or generally on ASX, New Zealand Stock Exchange, the New York Stock Exchange and/or the London Stock Exchange;
 - (ii) there is a suspension or material limitation (in each case persisting for at least one business day) in trading in the Bank's securities on ASX (other than a trading halt in connection with the Offer);
 - (iii) a general moratorium on commercial banking activities in Australia, New Zealand, the United States or the United Kingdom is declared by the relevant authorities, or there is a material disruption in commercial banking or securities settlement or clearance services in those places;
- (i) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions or currency exchange rates or controls in Australia, New Zealand, Singapore, Hong Kong, the United States, the United Kingdom or elsewhere, which, in the judgement of the Joint Lead Managers (acting reasonably), makes it impracticable or inadvisable to proceed with the Offer or the subscription for the PERLS III on the Allotment Date on the terms and in the manner contemplated in this Prospectus (or any supplementary Prospectus);
- (j) any adverse change occurs (or becomes known) after lodgement of the Prospectus in the assets, liabilities, financial position or performance, profits, losses or prospects of PCL, the Bank or its controlled entities (insofar as the position in relation to a controlled entity of the Bank affects the overall position of the Bank or PCL), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Bank and its controlled entities from those respectively disclosed in
 - (i) this Prospectus
 - (ii) any other publicity, media statements, announcements, advertisements, presentations or other materials produced, used or made by or on behalf of PCL and/or the Bank in connection with the Offer;
 - (iii) public announcements and other media statements made by or on behalf of PCL or the Bank in relation to the affairs of PCL, the Bank or the Bank's controlled entities within six months prior to the date of the Offer Management Agreement (taken together and having regard to the extent to which later statements may supersede earlier statements);
- (k) there occurs a new circumstance that has arisen since this Prospectus was lodged that would have been required to be included in this Prospectus if it had arisen before this Prospectus was lodged in relation to PCL, the Bank or any of its controlled entities;
- (l) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, the United Kingdom, Indonesia, Japan, Russia or the People's Republic of China, Iraq, North or South Korea, or any member state of the European Union or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;
- (m) a change in management or the board of directors of PCL or the Bank occurs or a director of PCL or the Bank is charged with an indictable offence;
- (n) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this agreement), any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets, or certain events related to taxation occur;
- (o) a default by PCL or the Bank in the performance of any of their obligations under the Offer Management Agreement occurs;
- (p) a warranty contained in the Offer Management Agreement on the part of PCL or the Bank is not true or correct;
- (q) a certificate given under the Offer Management Agreement is not true or correct;
- (r) a statement contained in this Prospectus (including any supplementary Prospectus) is misleading or deceptive, or a matter is omitted from the Prospectus (having



regard to the provisions of Part 6D.2 of the Corporations Act);

- (s) the due diligence report or any other information supplied by or on behalf of PCL or the Bank to a Joint Lead Manager in relation to the Bank and its controlled entities or the Offer is misleading or deceptive; or
- (t) any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation.

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

10.13 Short Dated Preference Share Subscription Agreement and Terms

Deutsche Bank has committed, subject to certain conditions precedent, to subscribe for up to \$700 million of a new class of preference shares in the Bank ("Short Dated Preference Shares") on or before 5 April 2006 if the Bank elects to give a notice requiring subscription.

The securities may be repurchased by the Bank on a day which is not more than 30 business days after the Bank's 2006 AGM closes, and on the days which are 3, 6 and 9 calendar months after that first repurchase date. They are mandatorily repurchaseable on 15 December 2007, if not already repurchased. Deutsche Bank has a right to seek conversion of the Short Dated Preference Shares into Bank Ordinary Shares at a 0.5% discount to the 20 day VWAP if they are not repurchased on the first repurchase date, if the Bank defaults on its senior debt or is insolvent, or if a Change of Control Event occurs. If Short Dated Preference Shares are issued, Bank Ordinary Shareholder approval for their repurchase is expected to be sought at the 2006 AGM scheduled for 3 November 2006.

See Section 7.3.

Section 11

Additional information

11.1 Availability of documents

Following the issue of PERLS III, the Issuer will be a “disclosing entity” for the purposes of the Corporations Act and will be subject to regular reporting and disclosure obligations under the Corporations Act and Listing Rules.

These obligations require that ASX be continuously notified of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX.

In particular, the Issuer will have an obligation under the Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning the Issuer of which it becomes aware which a reasonable person would expect to have a material effect on the price or value of the PERLS III. That information will be on public file at ASX.

The Bank has undertaken to the Issuer to provide information requested by the Issuer to enable the Issuer to comply with its continuous disclosure obligations provided that the information is in the Bank’s possession and is not confidential to the Bank or its subsidiaries (unless ASX considers that the information has ceased to be confidential).

The Issuer will have to prepare and lodge with ASIC both yearly and half-yearly financial statements accompanied by a Director’s statement and report, and an audit or review report.

Copies of documents lodged with ASIC in relation to the Issuer may be obtained from, or inspected at, any office of ASIC.

11.2 Australian Financial Services Licence

The Issuer does not hold an Australian Financial Services Licence. Accordingly, the Issuer will only issue PERLS III pursuant to this Prospectus under an arrangement with CommSec pursuant to section 911A(2)(b) of the Corporations Act. That arrangement is constituted by an Intermediary Arrangement Deed between the Issuer, CommSec and the Bank, which is summarised in Section 10.11.

11.3 Ownership restrictions

This section provides a general summary of some key ownership restrictions.

Corporations Act limits

PERLS III are “voting shares” in PCL for purposes of the Corporations Act, which restricts acquisitions of voting shares in PCL in excess of a 20% threshold, subject to limited exceptions.

In general terms, the Corporations Act prohibits, relevantly, the acquisition of a relevant interest (basically a power to vote or dispose of the share) in voting shares in PCL if any person’s voting power would, as a result, increase from 20% or below to more than 20%, or from a starting point that is more than 20% and less than 90%.

A person’s voting power is, very basically, the total number of votes attached to voting shares in which the person or their associates has a relevant interest, taken as a proportion of the votes attached to all voting shares in the company.

As PCL will be a listed company, a person who has a substantial holding in PCL will be subject to certain disclosure obligations under the Corporations Act. A substantial holding is where the person and their associates have voting power of 5% or more, or where the person has made a takeover bid for voting shares in PCL.

Bank Ordinary Shares are “voting shares” in the Bank (although Bank PERLS III Preference Shares are not) and similar restrictions and obligations apply in relation to them.

Investors in PERLS III should consider and seek appropriate advice in the context of these restrictions and obligations.

Foreign Acquisitions and Takeovers Act limits

The acquisition of shares in PCL and the Bank is subject to the Foreign Acquisitions and Takeovers Act 1975 (FATA). Under the FATA, the Commonwealth Treasurer may prohibit an acquisition of shares by, or make divestment orders in relation to shares held by, relevant persons if as a consequence of the acquisition or holding any “foreign person” as defined under the FATA would have a “controlling interest” in a company subject to FATA. A foreign person will have a controlling interest if the person and his or her associates have interests in 15% or more of the shares, or control 15% or more of the votes, in a company subject to FATA.

Investors in PERLS III, Bank Ordinary Shares or Bank PERLS III Preference Shares who are foreign persons, or who are associates of other investors who are foreign persons, should consider and seek appropriate advice in the context of these restrictions.

Financial Sector (Shareholdings) Act limits

The Financial Sector (Shareholdings) Act 1998 (Cth) restricts ownership by people (together with their associates) of an Australian bank to 15% of the voting power of the bank. A shareholder may apply to the Australian Treasurer to extend its ownership beyond 15%, but approval will not be granted unless the Treasurer is satisfied that a holding by that person greater than 15% is in the national interest. These limits are relevant to holdings of Bank Ordinary Shares.

11.4 Restrictions on foreign jurisdictions

The Offer is available to persons receiving this Prospectus in Australia. Due to regulatory requirements, the invitation to apply for PERLS III is not extended to investors (including Bank Ordinary Shareholders, PERLS Holders or PERLS II Holders) located or resident outside Australia, other than certain institutional investors outside Australia and the US at the sole discretion of the Issuer and the Joint Lead Managers, and in compliance with applicable laws in the relevant jurisdictions.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. If you are a potential investor in any jurisdiction outside Australia and you come into possession of this Prospectus you should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

In particular, PERLS III have not been and will not be registered under the US Securities Act or the laws of any State of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, US Persons. In addition, PCL has not and will not be registered under the US Investment Company Act. Each of the Joint Lead Managers and each Co-Manager must not offer, sell or deliver PERLS III within the United States or to, or for the account or benefit of, US Persons, and is required to send to each dealer to which it sells PERLS III during the

restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the PERLS III within the United States or to, or for the account or benefit of, US Persons. Terms used in this paragraph have the meanings given to them by Regulation S under the US Securities Act. In addition, until 40 days after the commencement of the Offer, an offer or sale of PERLS III within the United States by any dealer that is not participating in the Offer may violate the registration requirements of the US Securities Act.

Each person submitting an Application Form or otherwise purchasing PERLS III through the Offer will be deemed to have:

- acknowledged that PERLS III have not been, and will not be, registered under the US Securities Act, and may not be offered, sold or resold in the United States or for the account or benefit of a US Person except under an available exemption from registration; and
- represented, warranted and agreed as follows:
 - they are not in the United States or a US Person and are not acting for the account or benefit of a US Person;
 - they are not engaged in the business of distributing PERLS III, or if they are, they will not offer, sell or resell in the United States or to, or for the account or benefit of, any US Person any PERLS III they acquire:
 - under the Offer; or
 - other than under the Offer until the end of 40 days after the date on which PERLS III are Allocated under the Offer (other than by way of ordinary brokerage transactions on ASX where neither the seller nor any person acting on their behalf knows, or has reason to know, that the sale has been prearranged with, or that the purchaser is, a person in the United States); and
 - if they are entitled to receive any fee or commission in connection with any purchase of PERLS III to which the Application or bid relates, they will not directly or indirectly pay or reallow any portion of such fee or commission to any other person.

Any person who does not make the representation and warranty set out above is not entitled to acquire any PERLS III.

11.5 Consents

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

- Commonwealth Bank of Australia has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion in this Prospectus of statements by, and information on, the Bank contained in the Chairman’s letter, Section 2 (under “Why is the Bank redeeming PERLS?”) and Sections 7.1 to 7.5, and the incorporation by reference of the consolidated half year financial statements of the Bank for the half year ended 31 December 2005 (and the notes thereto) in the form and context in which they are included and incorporated;
- Citigroup;
- CommSec has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion in this Prospectus of statements concerning it, and its Financial Services Guide, in the form and context in which those statements and Financial Services Guide are included;
- Deutsche Bank;
- Macquarie;
- UBS;
- ANZ Securities;
- ABN AMRO Morgans;
- Bell Potter Securities;
- Ord Minnett;
- Wilson HTM;
- Freehills;

- Greenwoods & Freehills Pty Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion in Section 9 of this Prospectus of its taxation letter to PCL in the form and context in which it is included;
- Ernst & Young;
- Link;
- Standard & Poor’s has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion in this Prospectus of its public ratings of the Bank’s long term senior debt and PERLS III in the form and context in which they are included.

Moody’s has not given its consent to the inclusion in this Prospectus of its ratings of the Bank’s long-term senior debt and PERLS III and is not liable for those statements under section 729(1) of the Corporations Act.

11.6 Interests of advisers

CommSec has acted as Joint Lead Manager, Joint Bookrunner, Structuring Adviser and Authorised Intermediary to the Offer, in respect of which it will receive the fees as set out in Section 10.12.

Deutsche Bank and UBS have acted as Joint Lead Managers, Joint Bookrunners and Structuring Advisers to the Offer, in respect of which they will receive the fees as set out in Section 10.12.

Citigroup and Macquarie have acted as Joint Lead Managers and Joint Bookrunners to the Offer, in respect of which they will receive the fees as set out in Section 10.12.

ANZ Securities, ABN AMRO Morgans, Bell Potter Securities, Ord Minnett and Wilson HTM are acting as Co-Managers. The Joint Lead Managers will be responsible for fees payable to each Co-Manager as set out in Section 10.12.

Certain institutional investors have committed to the Joint Lead Managers to bid in the Bookbuild at the Initial Margin for at least \$175 million in aggregate of PERLS III, and will be paid by the Joint Lead Managers 0.5% of the lesser of their commitment amount and the value of their Allocation provided they remain beneficial holders of at least the number of PERLS III Allocated to them for 3 months from the Allotment Date.

Freehills has acted as Australian legal adviser to the Issuer and the Bank in relation to the Offer. In respect of this work, the Issuer estimates that approximately \$650,000 (excluding disbursements and GST) will be payable to Freehills. Further amounts may be paid to Freehills under its normal time-based charges.

Greenwoods & Freehills has acted as tax adviser for the Issuer and the Bank in relation to the Offer and has prepared its taxation letter to PCL in Section 9 of this Prospectus. The Issuer estimates that approximately \$140,000 (excluding disbursements and GST) will be payable to Greenwoods & Freehills. Further amounts may be paid to Greenwoods & Freehills under its normal time-based charges.

Ernst & Young has acted as the auditor for the Bank and will be the auditor of the Issuer. Ernst & Young performed professional services to assist management in its due diligence enquiries on financial matters. The Issuer estimates that it will pay approximately A\$17,000 (excluding disbursements and GST) to Ernst & Young. Further amounts may be paid to Ernst & Young under its normal time-based charges.

Other than as set out in this Prospectus:

- no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; and
- no promoter or underwriter of the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds at the date of this Prospectus, or has held in the two years before that date, an interest in:

- the formation or promotion of the Issuer;
- the Offer; or
- any property acquired or proposed to be acquired by the Issuer in connection with its formation or promotion or with the Offer.

Other than as set out in this Prospectus, none of such persons has been paid or agreed to be paid any amount, nor has any benefit been given or agreed to be given to any such persons for services provided by them, in connection with the formation or promotion of the Issuer or the Offer.

11.7 Interests of directors

No director or proposed director holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Issuer; or
- the Offer; or
- any property acquired or proposed to be acquired by the Issuer in connection with its formation or promotion of the Offer.

No amount (whether in cash, shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any director or proposed director in connection with the formation or promotion of the Issuer or the Offer.

11.8 ASIC relief

PCL has received ASIC relief to:

- enable CommSec's Australian Financial Services Guide to be included as a separate part of this Prospectus; and
- allow this Prospectus to include Moody's public rating of the Bank's long-term senior debt and PERLS III without the consent of Moody's.

11.9 ASX relief

PCL has received the following in principle confirmations from ASX:

- A confirmation that ASX will classify PERLS III as debt securities for the purposes of Listing Rule 1.8 condition 1, and consider PCL's structure and the rights and obligations of PERLS III to be appropriate under Listing Rule 1.8 condition 3, subject to certain conditions.
- Subject to the waivers set out below, confirmation that ASX will require PCL to comply with Listing Rules 1.1 (conditions 1A, 2, 6 and 7), 3.1A, 3.1B, 3.10 and 6.1 to 6.23A inclusive.
- A confirmation that the terms of PCL Ordinary Shares, PERLS III and Bank PERLS III Preference Shares are appropriate and equitable for the purposes of Listing Rule 6.1.

- A confirmation that the Dividends to which Holders of PERLS III will be entitled will be at a commercial rate for the purposes of Listing Rule 6.5.
- A confirmation that Listing Rule 6.12 does not apply to the exchange mechanisms for PERLS III.

PCL has been granted the following waivers by ASX:

- A waiver from Listing Rule 6.3 to the extent necessary to allow PERLS III to have the voting rights referred to in clauses 11.2(e) to 11.2(g) of the PERLS III Terms of Issue; and
- A waiver from Listing Rule 6.7 to the extent necessary to allow PCL not to send to Holders of PERLS III notices of general meetings of PCL where no formal resolutions are to be considered at the meeting.

The Bank has obtained confirmation from ASX that Listing Rule 7.1 is to be applied in relation to the Bank as though PERLS III were the number of Bank Ordinary Shares into which they would exchange based on the market price of Bank Ordinary Shares immediately prior to the announcement of the Offer, and that any Bank securities issued upon the exchange of PERLS III will be treated as if they were issued under an exception in Listing Rule 7.2.

11.10 Costs of the Offer

The estimated total costs of the Offer including legal, accounting, share registry, listing, printing, advertising, fees payable to the Joint Lead Managers, and other expenses, are estimated to be approximately \$16.65 million. CBA NZ has agreed to pay the initial costs of the Offer. Under the Services Deed, a subsidiary of the Bank provides services to PCL for which PCL will pay an annual fee of \$3,000. In addition, the Bank indemnifies PCL up to a maximum amount (subject to adjustment for inflation) of \$300,000 per financial year (which may be increased at the discretion of the Bank in certain circumstances) for PCL's reasonable operating expenses (see the summary of the upfront costs and expenses agreement and the Services Deed at Section 10).

11.11 Respecting your personal information

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

The Issuer may disclose this information on a confidential basis to the Bank and its subsidiaries and companies, as well as agents, contractors and third party service providers that provide services on its behalf (e.g. the Registry and a printing firm or mailhouse engaged to print and mail statements to you).

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

The Issuer will also disclose your information if required to do so by law or if you consent or request the disclosure.

If you think the Issuer's records of your personal information are incorrect or out of date, it is important that you contact the Issuer so that your records can be corrected. You may (subject to permitted exceptions) access the personal information the Issuer holds on you at any time by contacting the Registry in writing. The Issuer is permitted to charge a fee for such access but does not intend to do so.

You may choose not to give your personal information or to limit the information you provide, in which case the Issuer may not be able to provide you with your requested investment, or make payments to you.

11.12 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the law applicable in New South Wales and each applicant submits to the exclusive jurisdiction of the courts of New South Wales.

11.13 Consents to lodgement

Every director of the Issuer has given, and not withdrawn, his consent to the lodgement of this Prospectus with ASIC.

This Prospectus is dated 3 March 2006.

Signed for and on behalf of Preferred Capital Limited by:



Michael Cameron
Director

Appendix A

PERLS III Terms of Issue

1 Definitions and interpretation

1.1 Definitions

In these terms of issue the following expressions have the following meanings:

APRA means the Australian Prudential Regulation Authority.

APRA Event means:

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

APRA Guidelines means guidelines, policy statements and practice notes or other equivalent statements of APRA which are applicable to the Bank.

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

ASX Business Rules means the business rules or market rules of the ASX each as amended or replaced, except to the extent of any written waiver granted by ASX.

Authorised Officer means each director and secretary of the Bank and any person delegated on the authority of the Board of directors of the Bank to exercise the power of attorney conferred by clause 8.3.

Automatic Exchange Notice means an Automatic Ordinary Share Exchange Notice or an Automatic Preference Share Exchange Notice.

Automatic Ordinary Share Exchange Event has the meaning given to that term in clause 5.1.

Automatic Ordinary Share Exchange Notice has the meaning given in clause 5.2.

Automatic Preference Share Exchange Event has the meaning given to it in clause 6.1.

Automatic Preference Share Exchange Notice has the meaning given to it in clause 6.2.

Bank means Commonwealth Bank of Australia
ABN 48 123 123 124.

Bank Bill Swap Rate means the average mid rate for bills of a term of 90 days (expressed as a percentage per annum) which average rate is displayed on the page of Reuters Monitor System designated "BBSW" (or any page which replaces that page) on the relevant date, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30am (Sydney time) on that date, the rate specified in good faith by the Bank at or around that time on that date having regard, to the extent possible, to:

- (a) the rates otherwise bid and offered for bills of that term or for funds of that tenor, at or around the same time (including, without limitation, the sets of bid and offer rates for bills of that tenor displayed on that page "BBSW" at that time on that date); or
- (b) if bid and offer rates for bills of that term are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time.

Bank Ordinary Share means a fully paid ordinary share in the share capital of the Bank.

Bank PERLS III Preference Share means a fully paid preference share in the share capital of the Bank issued on the terms of issue of Bank PERLS III Preference Shares set out in the Prospectus.

Board means either the board of directors of PCL or a committee appointed by the board of directors of PCL.

Bookbuild means the process conducted by the joint lead managers for the offer of PERLS III under the Prospectus whereby certain Australian institutional investors, the joint lead managers and certain other persons lodge bids for PERLS III and, on the basis of those bids, the Bank and the joint lead managers determine the Initial Margin prior to the opening of the offer to subscribe for PERLS III under the Prospectus.

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

Capital Security means any equity, hybrid or subordinated debt security issued by the Bank or any subsidiary of the Bank or any other entity whose financial results are required to be consolidated with the Bank other than the Convertible Notes.

Change of Control Event means:

- (a) a takeover bid (as defined in the Corporations Act) is made to acquire some or all of the Bank Ordinary Shares on issue and the offer is, or becomes, unconditional and:
 - (1) the voting power of the offeror in the Bank is, or becomes, greater than 50%; or
 - (2) the Bank issues a statement recommending acceptance of the offer; or
- (b) a court approves the convening of a meeting of the holders of Bank Ordinary Shares to approve a scheme of arrangement under Part 5.1 of the Corporations Act which, when implemented, will result in a person having voting power in the Bank of more than 50% and either the holders (or relevant class or classes of holders) of Bank Ordinary Shares pass a resolution approving the scheme of arrangement or an independent expert issues a report that the scheme of arrangement is in the best interests of the holders of Bank Ordinary Shares.

Constitution means the constitution of PCL.

Conversion Date means the date 40 years from the Issue Date.

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

Convertible Note Deed means the deed of that name dated in or about February 2006 between the Bank, acting through its New Zealand branch, and PCL.

Corporations Act means the Corporations Act 2001 (Cth).

Default Event means:

- (a) the Bank makes a payment in breach of clause 3.9;
- (b) the Bank ceases or suspends the conduct of all of its business;
- (c) a proceeding is commenced by the Bank or a person that controls the Bank for an order that the Bank be dissolved, wound-up or liquidated or for the appointment of a provisional liquidator, liquidator, receiver, receiver and manager, administrator, controller or similar official in respect of the Bank or all or substantially all of its property;
- (d) a proceeding for an order of a kind described in paragraph (c) is commenced by any other person for an order that the Bank be dissolved, wound-up or

liquidated and is not dismissed within 30 Business Days of filing; or

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

Defaulted Dividend means a Dividend that has been resolved to be paid that has not been paid.

Dividend has the meaning given in clause 3.1, subject to clause 3.2 and clause 3.8.

Dividend Payment Date means:

- (a) 6 April, 6 July, 6 October and 6 January in each year; and
- (b) an Exchange Date (other than an Exchange Date referred to in paragraphs (e), (f) and (g) of the definition of Exchange Date that is not otherwise a Dividend Payment Date),

provided that the first scheduled Dividend Payment Date will be 6 July 2006.

Dividend Period means, in respect of a PERLS III:

- (a) the period from and including the Issue Date until and excluding the first Dividend Payment Date; and
- (b) thereafter, the period from and including the preceding Dividend Payment Date until and excluding the next Dividend Payment Date.

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

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

Election Rules means the rules set out in Rule 4.10 of the Constitution.

Exchange Date means, where exchange occurs under:

- (a) clause 4.1(a)(1), the Step-up Date;
- (b) clause 4.1(a)(2), the relevant Dividend Payment Date;
- (c) clause 4.1(b), the Exchange Date specified in the Exchange Notice which must be not less than 22 Business Days after the date of the notice;
- (d) clauses 5.1(a), 5.1(b) or 5.1(c), the date specified in the Exchange Notice which must be not less than 22 Business Days and not more than 30 Business Days after the date of the notice;

- (e) clause 6.1(a), the date specified in the Exchange Notice which must be not more than 10 Business Days after the date of the notice;
- (f) clause 6.1(b), the date specified in the Exchange Notice; and
- (g) clause 6.1(c), the day that is 10 Business Days before the Conversion Date.

Exchange Deed means the deed of that name dated in or about February 2006 between the Bank and PCL.

Exchange Notice means an Automatic Exchange Notice or PCL Exchange Notice as the case requires.

Existing Capital Securities means each of the:

- (a) PERLS II Securities; and
- (b) Trust Preferred Funding Securities.

Face Value has the meaning given in clause 2.

Foreign Holder means a PERLS III Holder whose address in the Register is a place outside Australia and its external territories.

Franking Rate means the franking percentage (within the meaning of Part 3–6 of the Tax Act or any part that replaces or revises that Part) of the Dividend, expressed as a decimal to four decimal places.

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

Group means the Bank and its controlled entities.

Initial Margin means the rate determined under the Bookbuild.

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

Issue Date means the date on which the PERLS III are first issued.

Liquidation Sum has the meaning given under clause 10.4.

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

Margin means:

- (a) until but excluding the Step-up Date, the Initial Margin; and
- (b) from and including the Step-up Date, the Step-up Margin.

Marketable Parcel has the meaning given to it in the ASX Business Rules.

Market Rate means:

- (a) for the first Dividend Period, the Initial Market Rate; and
- (b) for each subsequent Dividend Period, the Bank Bill Swap Rate on the first Business Day of that Dividend Period.

Maximum Conversion Number means 100 subject to clauses 7.5 to 7.8.

Netting Deed means the deed of that name dated in or about February 2006 between PCL and the Bank.

Official List means the official list of ASX.

PCL Ordinary Share means a fully paid ordinary share in the share capital of PCL.

PCL means Preferred Capital Limited ABN 68 101 938 176.

PCL Exchange Notice has the meaning given under clause 4.2.

PERLS II Securities means convertible notes issued under the PERLS II Convertible Note Deed between the Bank and Commonwealth Managed Investments Limited in its capacity as trustee of the PERLS II Trust and any preference shares in the Bank issued on conversion of those convertible notes.

PERLS III means a fully paid preference share in the share capital of PCL issued on these terms of issue.

PERLS III Holder means a person whose name is for the time being registered in the Register as the holder of a PERLS III.

Prospectus means the prospectus issued in relation to an offer of the relevant PERLS III.

Record Date means, in relation to a Dividend, the date which is 11 Business Days before the relevant Dividend Payment Date for that Dividend or such other date as PCL determines in its absolute discretion and communicates to the ASX not less than six Business Days before the specified Record Date or such other date as is required by ASX.

Appendix A PERLS III Terms of Issue

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

Register means the register of PERLS III maintained by the Registrar and includes any CHESS sub-register (as defined in the Listing Rules).

Registrar means Link Market Services Limited or any other registrar that maintains the Register.

Regulatory Event means:

- (a) receipt by the Bank of advice from a reputable legal counsel that, as a result of any change or proposed change in any law or regulation of Australia or any change in judicial interpretation of any such laws or regulations, additional requirements are imposed on the Bank or PCL in relation to the PERLS III or Convertible Notes or Bank PERLS III Preference Shares, which the Bank determines, in its absolute discretion, to be unacceptable; or
- (b) a determination by the Bank that there is a risk that the Bank is not or will not be entitled to treat all of the PERLS III or Bank PERLS III Preference Shares as Tier 1 Capital under APRA guidelines.

Representative Director means any of the three directors of PCL other than who is designated by PCL under the Prospectus, or otherwise, as a director appointed to represent the interests of PERLS III Holders and any director appointed to replace such a director in accordance with clause 11.3.

Repurchase means, in relation to a PERLS III, PCL redeeming, buying back or otherwise cancelling the PERLS III for its Face Value and Repurchased has a corresponding meaning.

Risk Based Capital Ratio means at any time the ratio so described by APRA.

Special Resolution has the same meaning as in the Corporations Act.

Step-up Date means 6 April 2016.

Step-up Margin means the Initial Margin plus 1.00%.

Tax Act means the Income Tax Assessment Act 1936 of Australia or the Income Tax Assessment Act 1997 of Australia, as the case may be.

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

- (a) the Bank would be exposed to more than a de minimus increase in its costs including grossing-up for withholding tax in relation to the Convertible Notes but excluding non-deductibility of any interest payments on the Convertible Notes; or
- (b) there would be more than a de minimus increase in the taxes, duties or government charges imposed on PCL in respect of the PERLS III; or
- (c) any payment in relation to PERLS III would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act or PERLS III Holders would not be entitled to franking credits in respect of PERLS III, other than where the PERLS III Holders' lack of entitlement to franking credits in respect of PERLS III is a result of the actions of the PERLS III Holder; or
- (d) the deduction to the Bank for New Zealand tax purposes on the interest payments on the Convertible Notes is not at least equal to the lesser of the interest payments and the corresponding cash dividends paid on PERLS III.

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

Tier 1 Capital means at any time any equity, debt or other capital so described by APRA.

Tier 1 Capital Ratio means at any time the ratio so described by APRA.

Trust Preferred Funding Securities means the convertible notes issued by the Bank to CBA Funding Trust 1 in relation to the Trust Originated Preferred Securities issued by CBA Capital Trust 1 pursuant to an offering memorandum dated 30 July 2003 and any preference shares in the Bank issued on exchange of those securities.

VWAP means average of the daily volume weighted average prices of Bank Ordinary Shares traded on the ASX during the relevant period or on the relevant days subject to any adjustments made under clauses 7.3 and 7.4 but does not include any transaction defined as "special" in the ASX Business Rules, crossings prior to the commencement of normal trading, crossings during the after hours adjust phase nor any overseas trades or the exercise of options over Bank Ordinary Shares.

1.2 Interpretation

In these terms of issue, unless the context otherwise requires:

- (a) unless otherwise specified in these Terms of Issue, notices may be given by PCL to a PERLS III Holder in the manner prescribed by the Constitution for the giving of notices and the relevant provisions of the Constitution apply with all necessary modification to notices to PERLS III Holders;
- (b) unless otherwise specified in these terms of issue, the Board may exercise all powers of PCL under these terms of issue as are not, by the Corporations Act or by the Constitution, required to be exercised by PCL in a general meeting;
- (c) definitions and interpretation under the Constitution will also apply to these terms of issue unless the contrary intention is expressed;
- (d) headings and boldings are for convenience only and do not affect the interpretation of these terms of issue;
- (e) words importing the singular include the plural and vice versa;
- (f) words importing a gender include any gender;
- (g) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and any government or semi-government agency;
- (h) a reference to a clause or schedule is a reference to a clause of, and a schedule to, these terms of issue and a reference to these terms of issue includes any schedule;
- (i) a reference to any statute or regulation includes all statutes and regulations amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (j) a reference to a document includes an amendment or supplement to, or replacement or novation of, that document;
- (k) where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next succeeding Business Day;
- (l) a reference to immediately available funds includes cash, cheques and bank cheques;
- (m) a reference to a body, other than the Bank, PCL or a PERLS III Holder, including a commission or an exchange, whether statutory or not, which ceases to exist or whose functions or powers are transferred to another body, is a reference to the body which replaces it or substantially succeeds to its powers and functions;
- (n) references to sums of money are to amounts in Australian dollars;
- (o) a reference to the proper performance of a duty is a reference to the proper performance of the duty after all available appeals from each judgement in respect of the matter have been exhausted;
- (p) no provision of these terms of issue will be construed adversely to a party solely on the ground that the party was responsible for the preparation of these terms of issue or that provision;
- (q) if a calculation is required under these terms of issue, the calculation will be performed to four decimal places, provided that any amount to be paid to a PERLS III Holder will be rounded down to the nearest cent; and
- (r) calculations, elections and determinations made by PCL under these terms of issue are binding on PERLS III Holders in the absence of manifest error.

2 Face Value

The face value of each PERLS III is \$200.00 (Face Value).

3 Dividends

3.1 Dividends

Subject to these terms of issue, the PERLS III Holder of each PERLS III on the relevant Record Date is entitled to receive on each relevant Dividend Payment Date, a dividend (Dividend) calculated in accordance with the following formula:

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

Where:

N means the number of days in the relevant Dividend Period.

3.2 Gross-up

If any Dividend under clause 3.1 will have a Franking Rate of less than 100%, the amount of the Dividend will be adjusted in accordance with the following formula:

$$\frac{D}{1 - [T \times (1 - f)]}$$

Where:

D is the amount of the Dividend under clause 3.1;

T is Tax Rate; and

f is the Franking Rate.

3.3 Dividend payment tests

The payment of a Dividend is subject to:

- (a) the Board resolving to pay the Dividend; and
- (b) the Corporations Act and any other law not prohibiting PCL paying the Dividend.

3.4 Non-cumulative Dividends

The dividend rights attached to the PERLS III are non-cumulative. Therefore, if and to the extent that all or any part of a Dividend is not paid because of any provision of clause 3.3 or because of any applicable law, PCL has no liability to pay that Dividend and the PERLS III Holder has no claim or entitlement in respect of the non-payment of that Dividend. No amount accrues on any unpaid Dividends, and the PERLS III Holder has no claim or entitlement in respect of interest on any unpaid Dividends.

3.5 Calculation of Dividends

All calculations of Dividends will be rounded to four decimal places. For the purposes of making any payment of a Dividend in respect of a PERLS III Holder's aggregate holding of PERLS III, any fraction of a cent will be disregarded.

3.6 Dividend Payment Dates

Subject to this clause 3, Dividends will be payable in arrears on each Dividend Payment Date. If a Dividend is not paid on a Dividend Payment Date that Dividend may be paid within 20 Business Days and if so the relevant Dividend will be deemed to have been paid on the Dividend Payment Date for the purposes of those PCL Preference Share Terms.

3.7 Record Dates

A Dividend is only payable to those persons registered as PERLS III Holders on the Record Date for that Dividend.

3.8 Deductions and gross-up

PCL will be entitled to deduct from any Dividend or other amounts payable to a PERLS III Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by PCL to the appropriate authority and the balance of the amount payable has been paid to the PERLS III Holder concerned, then the full amount payable to such PERLS III Holder shall be deemed to have been duly paid and satisfied by PCL. PCL shall pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law and shall, if required by any PERLS III Holder, deliver to that PERLS III Holder the relevant receipt issued by the revenue authority without delay after it is received by PCL.

3.9 Dividend security

Subject to clause 3.10, where each PERLS III Holder is not paid a dividend in full within 20 Business Days of the Dividend Payment Date, the Bank must not and PCL must procure that the Bank does not pay any interest, declare or pay any dividends or distribution from the income or capital of the Bank, return any capital or undertake any buybacks, redemptions or repurchases in relation to Existing Capital Securities or any securities of the Bank that rank or are expressed to rank for interest payments, dividends or distributions equally with or junior to the Convertible Notes or Bank PERLS III Preference Shares unless and until:

- (a) a Special Resolution of PERLS III Holders authorising the payment, capital return, buyback, redemption or repurchase is approved; or
- (b) PCL has paid to PERLS III Holders the full Dividend for the preceding four consecutive Dividend Periods; or
- (c) PCL (with the approval of APRA) has paid to PERLS III Holders an amount or amounts in aggregate equal to the unpaid amount or amounts of the Dividends for the preceding four consecutive Dividend Periods.

3.10 Exceptions

Clause 3.9 does not apply to:

- (a) pro rata payments on Convertible Notes, Existing Capital Securities and any securities of the Bank that rank or are expressed to rank for interest payments, dividends or distributions equally with the Convertible Notes or Bank PERLS III Preference Shares;

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

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

4 Exchange by PCL

4.1 Exchange events

PCL may, if it so decides in accordance with the Election Rules, subject to this clause 4.1 and to APRA approval if required, exchange all or some of the PERLS III by giving notice to PERLS III Holders:

- (a) in respect of some or all of the PERLS III, at least 22 Business Days (but not more than 6 months) before:
 - (1) the Step-up Date; or
 - (2) any Dividend Payment Date after the Step-up Date; or
- (b) at any time, if a Regulatory or Tax Event occurs, in respect of all (but not some) of the PERLS III.

4.2 Method of exchange

- (a) If PCL gives a notice in accordance with the Election Rules under clause 4.1 (PCL Exchange Notice), PCL must decide in accordance with the Election Rules and indicate in that notice which one or more of the following will occur on the Exchange Date in respect of each PERLS III the subject of the notice:
 - (1) the Bank acquires all or some of the PERLS III in consideration for the issue of a number of Bank Ordinary Shares calculated in accordance with clause 7; or
 - (2) the Bank acquires all or some of the PERLS III for cash equal to the Face Value and delivers the proceeds to the PERLS III Holder (subject to APRA approval).
- (b) If PCL elects in accordance with the Election Rules more than one method of exchange under clause 4.2(a), PCL must endeavour to treat PERLS III Holders on an approximately proportionate basis, but may discriminate to take account of the effect on all or some holdings which would be less than a Marketable Parcel and other considerations.

4.3 PCL Exchange Notice

If PCL elects in accordance with the Election Rules to exchange PERLS III pursuant to clause 4.1(b), PCL must decide in accordance with the Election Rules and include in the notice given under clause 4.1 the relevant details of the Regulatory Event or Tax Event and the Exchange Date.

5 Automatic exchange of PERLS III for Bank Ordinary Shares

5.1 Automatic Ordinary Share Exchange Event

This clause applies where one of the following events occurs (Automatic Ordinary Share Exchange Event):

- (a) a Change of Control Event;
- (b) an APRA Event; or
- (c) a Default Event.

5.2 Automatic Ordinary Share Exchange Notice

If an Automatic Ordinary Share Exchange Event occurs, PCL must notify each PERLS III Holder in writing (Automatic Ordinary Share Exchange Notice) of such event as soon as practicable after the occurrence of the event, and PCL must decide in accordance with the Election Rules and notify each PERLS III Holder in the Automatic Ordinary Share Exchange Notice of the Exchange Date on which the PERLS III will be exchanged in accordance with clause 5.3.

5.3 Exchange of PERLS III

- (a) Subject to clause 5.3(b), if an Automatic Ordinary Share Exchange Event occurs, on the Exchange Date each PERLS III Holder must sell to the Bank and PCL must procure that the Bank acquires all of the PERLS III in consideration for the issue to each PERLS III Holder of the number of Bank Ordinary Shares determined in accordance with clause 7.
- (b) Clause 5.3(a) does not apply to any PERLS III held on the Exchange Date by or on behalf of the Bank.

6 Automatic Exchange of PERLS III for Bank PERLS III Preference Shares

6.1 Automatic Preference Share Exchange Event

This clause applies where one of the following events occurs (Automatic Preference Share Exchange Event):

- (a) a Dividend is not paid in full for any reason within 20 Business Days of the relevant Dividend Payment Date;
- (b) the Bank (in its absolute discretion) gives notice to PCL stating that an Automatic Preference Share Exchange Event occurs; or
- (c) the day that is 10 Business Days before the Conversion Date.

6.2 Automatic Preference Share Exchange Notice

As soon as practicable after becoming aware of the occurrence of an Automatic Preference Share Exchange Event under clause 6.1(a) or 6.1(b), or on the day that is 20 Business Days before an Automatic Preference Share Exchange Event under clause 6.1(c), PCL must notify each PERLS III Holder (Automatic Preference Share Exchange Notice) in writing of:

- (a) the occurrence of the particular Automatic Preference Share Exchange Event; and
- (b) the Exchange Date (which must have been decided in accordance with the Election Rules).

6.3 Exchange of PERLS III

- (a) Subject to clause 6.3(b), if an Automatic Preference Share Exchange Event occurs, on the Exchange Date each PERLS III Holder must sell to the Bank and PCL must procure that the Bank acquires all of the PERLS III in consideration for the issue to each PERLS III Holder of one Bank PERLS III Preference Share for each PERLS III acquired by the Bank from the PERLS III Holder.
- (b) Clause 6.3(a) does not apply to any PERLS III held on the Exchange Date by or on behalf of the Bank.

7 Exchange of PERLS III for Bank Ordinary Shares

7.1 Calculation

Subject to this clause 7 and clause 5.3(b), if PCL elects or is required to exchange PERLS III for Bank Ordinary Shares pursuant to these terms of issue, the Bank must issue to each PERLS III Holder for each PERLS III being exchanged, the lesser of the number of Bank Ordinary Shares equal to the Maximum Conversion Number and the number of Bank Ordinary Shares calculated in accordance with the following formula:

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

Where:

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

DF is the discount factor and is 0.025;

VWAP means VWAP during the Reference Period.

7.2 Number of Bank Ordinary Shares

If the total number of Bank Ordinary Shares to be issued to a PERLS III Holder under clause 7.1 in respect of all of the PERLS III Holder's PERLS III being exchanged includes a fraction of a share, that fraction of a share will be disregarded.

7.3 Adjustments to VWAP

For the purposes of calculating VWAP under clause 7.1:

- (a) where, on some or all of the Business Days in the relevant Reference Period, Bank Ordinary Shares have been quoted on the ASX as cum dividend or cum any other distribution or entitlement and the PERLS III will exchange into Bank Ordinary Shares after that date and those Bank Ordinary Shares no longer carry that entitlement, then the VWAP on the Business Days on which those Bank Ordinary Shares have been quoted cum dividend or cum entitlement shall be reduced by an amount (Cum Value) equal to:
- (1) in the case of a dividend or other cash distribution, the amount of that dividend or cash distribution; or
 - (2) in the case of an entitlement which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the relevant Reference Period on the Business Days on which those entitlements were traded; or
 - (3) in the case of an entitlement not traded on the ASX during the relevant Reference Period or a non-cash distribution, the value of the entitlement or non-cash distribution as reasonably determined by PCL; and
- (b) where on some or all of the Business Days in the relevant Reference Period, Bank Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement, and the PERLS III will be exchanged for Bank Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Bank Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement shall be increased by the Cum Value.

7.4 Adjustment to VWAP for capital reconstruction

Where the Bank Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities during the period in which the VWAP is calculated under clause 7.1, the VWAP shall be adjusted by PCL as it considers appropriate to ensure that the PERLS III Holders are in an economic position in relation to their PERLS III that is as similar as reasonably practicable to the economic position prior to the occurrence of the event that gave rise to the need for the adjustment. Any adjustment made by PCL will constitute an alteration of these terms of issue and these terms of issue will be construed accordingly. Any such adjustment must be promptly communicated to all PERLS III Holders by ASX announcement.

7.5 Adjustment to Maximum Conversion Number for bonus and rights issues

- (a) Subject to clauses 7.5(b) and (c) below, if the Bank makes a pro rata bonus issue or a rights issue or other essentially pro rata issue (including an issue of the kind known as a "jumbo" issue, where offers to certain institutional holders (or beneficial holders) are made in advance of offers to other holders) of Bank Ordinary Shares to holders of Bank Ordinary Shares generally, the Maximum Conversion Number will be adjusted immediately in accordance with the following formula:

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

Where:

- CN means the Maximum Conversion Number applying immediately after the application of this formula;
- CNo means the Maximum Conversion Number applying immediately prior to the application of this formula;
- P means the VWAP during the period from (and including) the first Business Day after the announcement of the bonus, rights or other relevant issue to the ASX up to (and including) the last Business Day of trading cum rights, bonus or other relevant issue (or if there is no period of cum rights, bonus or other relevant issue trading, an amount reasonably determined by PCL as representing the value of a Bank Ordinary Share cum the rights, bonus or other relevant issue);

A means the subscription or unit price per Bank Ordinary Share for a rights or other pro rata issue and is zero in the case of a bonus issue;

RN means the number of Bank Ordinary Shares issued pursuant to the rights, bonus or other relevant issue; and

RD means the number of Bank Ordinary Shares on issue immediately prior to the allotment of new Bank Ordinary Shares pursuant to the rights, bonus or other relevant issue.

(b) No adjustment to the Maximum Conversion Number will occur if A exceeds P.

(c) Clause 7.5(a) does not apply to Bank Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.

(d) For the purpose of clause 7.5, an issue will be regarded as a pro rata issue notwithstanding that the Bank does not make offers to some or all holders of Bank Ordinary Shares with registered addresses outside Australia and New Zealand, provided that in so doing the Bank is not in contravention of the Listing Rules.

7.6 Adjustment to Maximum Conversion Number for off-market buyback

(a) Subject to clause 7.6(b), if the Bank undertakes an off-market buyback under a scheme which but for restrictions on transfer would be generally available to holders of Bank Ordinary Shares, the Maximum Conversion Number will be adjusted immediately in accordance with the following formula:

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

Where:

CN means the Maximum Conversion Number respectively applying immediately after the application of this formula;

CNo means the Maximum Conversion Number respectively applying immediately prior to the application of this formula;

P means the VWAP during the 20 Business Days prior to the announcement to the ASX of the buyback;

A means the buyback price per Bank Ordinary Share;

BN means the number of Bank Ordinary Shares bought back; and

BD means the number of Bank Ordinary Shares on issue immediately prior to the buyback.

(b) No adjustment to the Maximum Conversion Number will occur if P exceeds A.

7.7 Adjustment to Maximum Conversion Number for return of capital

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

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

Where:

CN means the Maximum Conversion Number applying immediately after the application of this formula;

CNo means the Maximum Conversion Number applying immediately prior to the application of this formula;

P means the VWAP during the period from (and including) the first Business Day after the announcement of the return of capital to ASX up to and including the last Business Day of trading cum the return of capital (or if there is no period of cum return of capital trading, an amount reasonably determined by PCL as representing the value of Bank Ordinary Shares cum the return of capital); and

C means with respect to a return of capital, the amount of the cash and/or the value (as reasonably determined by PCL) of any other property distributed to holders of Bank Ordinary Shares per Bank Ordinary Share (or such lesser amount such that the difference between P and C is greater than zero).

7.8 Adjustment to Maximum Conversion Number for Capital Reconstruction

If at any time the Bank Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities, PCL may if it considers it appropriate reconstruct the Maximum Conversion Number in the same way as the number of options over Bank Ordinary Shares would be in the same context, in accordance with the Listing Rules (as they apply to the Bank). Each PERLS III Holder acknowledges that the Bank may reconstruct, consolidate, divide or reclassify into a lesser or greater number of securities the Bank Ordinary Shares at any time in its absolute discretion without any such action constituting a variation of rights of PERLS III Holders or otherwise requiring any consent or concurrence.

7.9 Bank Ordinary Shares

Each Bank Ordinary Share issued or arising upon exchange of a PERLS III under these terms of issue ranks *pari passu* with all other fully paid Bank Ordinary Shares.

8 Exchange provisions

8.1 Exchange Notices

- (a) An Exchange Notice is irrevocable once given.
- (b) An Automatic Exchange Notice will prevail over any other Exchange Notice. An Automatic Ordinary Share Exchange Notice will prevail over an Automatic Preference Share Exchange Notice.
- (c) On receipt of an Exchange Notice, a PERLS III Holder must not deal with, transfer, dispose or otherwise encumber the PERLS III which are the subject of the Exchange Notice.

8.2 Exchange

On the Exchange Date, the PERLS III being exchanged and all right, title and interest in them are automatically assigned to the Bank (other than any Dividend that has been resolved to be paid but has not been paid on or prior to the Exchange Date).

8.3 Power of attorney

Without limiting Rule 4.8 of the Constitution, each PERLS III Holder irrevocably:

- (a) appoints the Bank to be the attorney of the PERLS III Holder and the agent of the PERLS III Holder with power in the name and on behalf of the PERLS III Holder to do all such acts and things including signing all documents or transfers as may in the opinion of the Bank be necessary or desirable to be done in order to effect, record or perfect the transfer or assignment (or transactions contemplated by the transfer or assignment) of the PERLS III held by the PERLS III Holder when required in accordance with clauses 4.2, 5.3, 6.3, 8.2 and 10.10; and
- (b) authorises and directs PCL to make such entries in the Register, including amendments and additions to the Register, which PCL considers necessary or desirable to record the transfer or assignment of the PERLS III in accordance with clauses 4.2, 5.3, 6.3, 8.2 and 10.11 and to record that on that transfer or assignment the holder of the PERLS III ceases to be registered as the holder of PERLS III and a new holder of that PERLS III becomes registered in place of the PERLS III Holder.

The power of attorney and agency appointment given in clause 8.3 is given to secure the performance by the PERLS III Holder of the PERLS III Holder's obligations under these terms of issue and is irrevocable.

8.4 Member of Bank

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

9 Repurchase of PERLS III

9.1 Repurchase

If the Bank acquires PERLS III pursuant to these terms of issue, the Bank must notify PCL of the number of PERLS III acquired by the Bank, and PCL must, as soon as reasonably practical but subject to compliance with applicable law, Repurchase each PERLS III acquired by the Bank for Face Value (with the method of Repurchase to be at the option of the Bank).

10 PERLS III general rights

10.1 Ranking

- (a) PERLS III rank equally amongst themselves in all respects and PERLS III Holders are subordinated to all depositors and creditors of PCL in respect of payment of dividends or return of share capital on a winding-up of PCL or otherwise.
- (b) Subject to clause 10.1(c), the issue of any other preference shares in the capital of PCL which rank in priority to the PERLS III in respect of payment of dividends or return of share capital on a winding-up constitute an alteration of the rights attached to the PERLS III.
- (c) PCL may issue further preference shares in the share capital of PCL which rank equally with or behind existing PERLS III, whether in respect of payment of dividends, return of share capital on a winding-up of PCL or otherwise. Such an issue does not constitute a variation or cancellation of the rights attached to the then existing PERLS III and does not require the approval of PERLS III Holders.

10.2 Preferential dividend

The PERLS III rank in priority to PCL Ordinary Shares for payment of dividends.

10.3 No set off

Except as provided under the Netting Deed, any amount due to a PERLS III Holder in respect of the PERLS III may not be set off against any claims by PCL against the PERLS III Holder.

10.4 Return of share capital

If there is a return of share capital on a winding-up of PCL, PERLS III Holders will be entitled to receive out of the assets of PCL available for distribution to holders of shares, in respect of each PERLS III held, a cash payment (Liquidation Sum) equal to the sum of:

- (a) the amount of any Defaulted Dividend;
- (b) subject to clause 3.3, where the date of the winding-up is not a Dividend Payment Date, any Dividend that the PERLS III Holder would have been entitled to if the date of the winding-up had been a Dividend Payment Date; and

- (c) the Face Value,

before any return of share capital is made to holders of PCL Ordinary Shares or any other class of shares ranking behind the PERLS III.

10.5 Shortfall on winding-up

If, upon a return of share capital on a winding-up of PCL, there are insufficient funds to pay the full amounts referred to in clause 10.4 and the amounts payable in respect of any other shares in PCL ranking as to such distribution equally with the PERLS III on a winding-up of the PCL, PERLS III Holders and the holders of any such other shares will share in any distribution of assets of PCL in proportion to the amounts to which they respectively are entitled.

10.6 No participation in surplus assets

The PERLS III do not confer on the PERLS III Holders any further right to participate in the surplus assets of PCL on a winding-up of PCL beyond payment of the Liquidation Sum.

10.7 Restrictions on other issues

PCL must not, without approval of a Special Resolution of PERLS III Holders, issue shares in the share capital of PCL ranking in priority to the PERLS III or permit the conversion of any existing shares in the share capital of PCL to shares ranking in priority to the PERLS III.

10.8 Participation in new issues

The PERLS III confer no rights to subscribe for new securities of PCL or to participate in any bonus issues of securities of PCL.

10.9 No other rights

PERLS III do not confer on the PERLS III Holders any right to participate in profits or property except as set out in these terms of issue.

10.10 Issues at other than Face Value

Nothing in these terms of issue prevents an issue of PERLS III at an issue price other than Face Value.

10.11 Further assurances

If PCL decides to exchange PERLS III in accordance with these terms of issue, the PERLS III Holder must:

- (a) provide all documentation and execute any authorisation or power necessary; and
- (b) take all other action necessary or desirable, to effect the exchange.

10.12 Deposit liabilities

The PERLS III are not deposit liabilities of the Bank and are not subject to any depositor protection provisions under applicable Australian law.

10.13 Foreign Holders

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

11 Voting rights

11.1 Entitlement to receive notices of meetings

Subject to the Listing Rules or applicable law, PERLS III Holders have the same rights as holders of PCL Ordinary Shares to receive notices of general meetings of PCL except where the notice does not specify any resolutions to be voted on at the general meeting in relation to which the PERLS III Holders of PERLS III are entitled to vote.

11.2 No right to speak or vote except in specific circumstances

Subject to clauses 3.9, 10.7, 11.3 and 13 a PERLS III does not entitle its PERLS III Holder to speak or vote at any general meeting of PCL except in the following circumstances:

- (a) on a proposal:
 - (1) to reduce PCL's share capital (other than a Repurchase contemplated by clause 9);
 - (2) that affects rights attached to the PERLS III;
 - (3) to wind up PCL; or
 - (4) for the disposal of the whole of the property, business and undertaking of PCL;

- (b) on a resolution to approve the terms of a buyback agreement (other than a Repurchase contemplated by clause 9);
- (c) during a period in which a Dividend which has been resolved as payable on a Dividend Payment Date has not been paid in full;
- (d) during the winding-up of PCL;
- (e) if the law requires dividends or distributions to be approved or declared by members, on such a resolution;
- (f) on a resolution to amend the Constitution; or
- (g) on a resolution to remove a Representative Director and appoint a replacement under clause 11.3(b).

11.3 Right to remove and appoint Directors

- (a) The Representative Directors shall represent the interests of PERLS III Holders.
- (b) The PERLS III Holders may by resolution remove a Representative Director and appoint a replacement provided that no resolution to remove such a director shall take effect until the replacement has been appointed by the PERLS III Holders.
- (c) If a Representative Director resigns or dies or otherwise ceases to be a director pursuant to Rule 6.3 of the Constitution then the directors must appoint a replacement selected by the remaining Representative Directors.

11.4 Other circumstances in which PERLS III Holders can speak and vote

PERLS III Holders may speak and vote at a meeting of PERLS III Holders pursuant to clauses 3.9, 10.7, 11.2, 11.3 and 13 of these terms of issue.

11.5 Annual general meetings

PERLS III Holders are entitled to speak and ask questions at an annual general meeting of the Issuer in accordance with such rights as are provided for in the Corporations Act.

11.6 Number of votes

At a general meeting of PCL where PERLS III Holders may vote, and at a meeting of the PERLS III Holders, each PERLS III Holder is entitled:

- (a) on a show of hands, to one vote; and
- (b) on a poll, to one vote for each PERLS III held by them.

12 Listing

The Bank must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation on each Exchange Date of all Bank Ordinary Shares issued under clause 7 or Bank PERLS III Preference Shares on the securities exchanges on which the Bank Ordinary Shares are quoted on that Exchange Date.

13 Amendments to these terms of issue

- (a) Subject to complying with all applicable laws and to clause 13(b), these terms of issue may be amended or added to only in accordance with Rule 2.3 of the Constitution.
- (b) Subject to complying with all applicable laws and with the prior approval of APRA, PCL may, without the authority, assent or approval of PERLS III Holders, and with the consent of the holders of PCL Ordinary Shares, amend or add to these terms of issue where the amendment or addition is, in the opinion of the Board:
 - (1) made to correct a manifest error;
 - (2) of a formal, minor or technical nature;
 - (3) made to comply with any law, the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which PCL proposes from time to time to seek quotation of the PERLS III;
 - (4) convenient for the purpose of obtaining or maintaining the listing or quotation of the PERLS III; or
 - (5) is not, and is not likely to become, materially prejudicial to PERLS III Holders generally,

provided that no such addition or amendment can be made if it would be materially prejudicial to any class of member.

14 Governing law

These terms of issue are governed by the laws of New South Wales.

Appendix B

Bank PERLS III Preference Shares Terms of Issue

Appendix B Bank PERLS III Preference Shares

Terms of Issue

1 Definitions and Interpretation

1.1 Definitions

In these terms of issue the following expressions have the following meanings:

Appointed Person has the meaning given to that term in clause 8.2.

APRA means the Australian Prudential Regulation Authority.

APRA Event means:

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

APRA Guidelines means guidelines, policy statements and practice notes or other equivalent statements of APRA which are applicable to the Bank.

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

ASX Business Rules means the business rules or market rules of the ASX each as amended or replaced, except to the extent of any written waiver granted by ASX.

Authorised Officer means each director and secretary of the Bank and any person delegated on the authority of the Board to exercise the power of attorney conferred by clause 8.2.

Automatic Conversion Event has the meaning given to that term in clause 5.1.

Automatic Conversion Notice has the meaning given in clause 5.2.

Bank means Commonwealth Bank of Australia ABN 48 123 123 124.

Bank Bill Swap Rate means the average mid rate for bills of a term of 90 days (expressed as a percentage per annum) which average rate is displayed on the page of Reuters Monitor System designated “BBSW” (or any page which replaces that page) on the relevant date, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30am (Sydney time) on that date, the rate specified in good faith by the Bank at or around that time on that date having regard, to the extent possible, to:

- (a) the rates otherwise bid and offered for bills of that term or for funds of that tenor, at or around the same time (including, without limitation, the sets of bid and offer rates for bills of that tenor displayed on that page “BBSW” at that time on that date); or
- (b) if bid and offer rates for bills of that term are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time.

Bank Exchange Notice has the meaning given under clause 4.2.

Bank Ordinary Share means a fully paid ordinary share in the share capital of the Bank.

Bank PERLS III Preference Share means a fully paid preference share in the share capital of the Bank issued on these terms of issue.

Bank PERLS III Preference Share Holder means a person whose name is for the time being registered in the Register as the holder of a Bank PERLS III Preference Share.

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

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

Capital Security means any equity, hybrid or subordinated debt security issued by the Bank or any subsidiary of the Bank or any other entity whose financial results are required to be consolidated with the Bank.

Appendix B Bank PERLS III Preference Shares

Terms of Issue

Change of Control Event means:

- (a) a takeover bid (as defined in the Corporations Act) is made to acquire some or all of the Bank Ordinary Shares on issue and the offer is, or becomes, unconditional and:
 - (1) the voting power of the offeror in the Bank is, or becomes, greater than 50%; or
 - (2) the Bank issues a statement recommending acceptance of the offer; or
- (b) a court approves the convening of a meeting of the holders of Bank Ordinary Shares to approve a scheme of arrangement under Part 5.1 of the Corporations Act which, when implemented, will result in a person having voting power in the Bank of more than 50% and either the holders (or relevant class or classes of holders) of Bank Ordinary Shares pass a resolution approving the scheme of arrangement or an independent expert issues a report that the scheme of arrangement is in the best interests of the holders of Bank Ordinary Shares.

Constitution means the constitution of the Bank.

Conversion means the taking effect of the rights of a Bank PERLS III Preference Share under clause 6 (including without limitation the allotment of Bank Ordinary Shares under clause 6.1) and Convert and Converted have a corresponding meaning.

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

Convertible Note Deed means the deed of that name dated in or about February 2006 between the Bank, acting through its New Zealand branch, and PCL.

Corporations Act means the Corporations Act 2001 (Cth).

Default Event means:

- (a) the Bank makes a payment in breach of clause 3.9;
- (b) the Bank ceases or suspends the conduct of all of its business;
- (c) a proceeding is commenced by the Bank or a person that controls the Bank for an order that the Bank be dissolved, wound-up or liquidated or for the appointment of a provisional liquidator, liquidator, receiver, receiver and manager, administrator, controller or similar official in respect of the Bank or all or substantially all of its property;

- (d) a proceeding for an order of a kind described in paragraph (c) is commenced by any other person for an order that the Bank be dissolved, wound-up or liquidated and is not dismissed within 30 Business Days of filing; or
- (e) a provisional liquidator, liquidator, receiver, receiver and manager, administrator, controller or similar official is appointed in respect of the Bank or all or substantially all of its property and such appointment is not revoked or set aside within 30 Business Days of such appointment.

Distributable Profits means, in relation to a Dividend Payment Date, an amount calculated in accordance with the following formula:

$$\text{Distributable Profits} = A - B$$

Where:

- A is the aggregate of the consolidated net profits after income tax of the Bank, its subsidiaries and other entities whose financial results are required to be consolidated with the Bank for the immediately preceding two six-monthly financial periods for which results have been publicly announced (or any other amount as determined by APRA in its discretion to be appropriate in the Bank's circumstances for the purposes of the Bank's Tier 1 Capital obligations); and
- B is the aggregate amount of dividends, distributions or other amounts paid, decided to be paid or liable to be paid by the Bank, any of its subsidiaries and other entities whose financial results are required to be consolidated with the Bank in the 12 months to and including the Dividend Payment Date on:
 - (1) PERLS III or Bank PERLS III Preference Shares;
 - (2) any other Tier 1 qualifying Capital Security of the Bank or any of its subsidiaries or any other entities whose financial results are required to be consolidated with the Bank to the extent dividends or distributions on those securities are funded by the Bank or by instruments of the Bank; and
 - (3) any other share capital of the Bank (including Bank Ordinary Shares),

Appendix B Bank PERLS III Preference Shares

Terms of Issue

but excluding:

- (1) distributions payable in relation to the Bank PERLS III Preference Shares on the Dividend Payment Date;
- (2) any such dividend, distribution or other amount to which the Bank, any of its subsidiaries or any other entities whose financial results are required to be consolidated with the Bank was or is beneficially entitled; and
- (3) any such dividend, distribution or other amount which is included in the calculation of consolidated net profit after tax within the meaning of A.

Dividend has the meaning given in clause 3.1, subject to clause 3.2 and clause 3.8.

Dividend Payment Date means:

- (a) 6 April, 6 July, 6 October and 6 January in each year; and
- (b) an Exchange Date.

Dividend Period means, in respect of a Bank PERLS III Preference Share:

- (a) for the first Dividend Period:
 - (1) if the Issue Date occurs on or before the Record Date for the first Dividend Payment Date, the period from and including the PCL Dividend Payment Date immediately prior to the Issue Date (or the period from and including the PCL Issue Date, if no PCL Dividend Payment Date has yet occurred) until and excluding the first Dividend Payment Date; and
 - (2) otherwise, the period from and including the Issue Date until and excluding the first Dividend Payment Date;
- (b) thereafter, the period from and including each Dividend Payment Date until and excluding the next Dividend Payment Date.

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

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

Exchange means Conversion in accordance with and subject to clause 6 or Repurchase as determined by the Bank in accordance with and subject to clause 7, and Exchanged has a corresponding meaning.

Exchange Date means, where Exchange occurs under:

- (a) clause 4.1(a)(1), the Step-up Date;
- (b) clause 4.1(a)(2), the relevant Dividend Payment Date;
- (c) clause 4.1(b), the Exchange Date specified in the Exchange Notice which must be not less than 22 Business Days after the date of the notice;
- (d) clauses 5.1(a), 5.1(b) or 5.1(c), the date specified in the Exchange Notice which must be not less than 22 Business Days and not more than 30 Business Days after the date of the notice.

Exchange Notice means an Automatic Conversion Notice or Bank Exchange Notice as the case requires.

Existing Capital Securities means each of the:

- (a) PERLS II Securities; and
- (b) Trust Preferred Funding Securities.

Face Value has the meaning given in clause 2.

Foreign Holder means a Holder whose address in the Register is a place outside Australia and its external territories.

Franking Rate means the franking percentage (within the meaning of Parts 3–6 of the Tax Act or any part that replaces or revises that Part) of the Dividend, expressed as a decimal to four decimal places.

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

Group means the Bank and its controlled entities.

Initial Margin has the meaning given to it in the PERLS III Terms.

Insufficient Distributable Profits Circumstance means that, in relation to a Dividend Payment Date, the Dividend payable on that Dividend Payment Date exceeds Distributable Profits.

Issue Date means the date on which the Bank PERLS III Preference Shares are first issued.

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

Margin means:

- (a) until but excluding the Step-up Date, the Initial Margin; and
- (b) from and including the Step-up Date, the Step-up Margin.

Marketable Parcel has the meaning given to it in the ASX Business Rules.

Market Rate means for each Dividend Period, the Bank Bill Swap Rate on the first Business Day of that Dividend Period.

Maximum Conversion Number means 100 subject to clauses 6.6 to 6.9.

Official List means the official list of ASX.

Optional Dividend means any dividend paid other than on a Dividend Payment Date.

PCL means Preferred Capital Limited ABN 68 101 938 176.

PCL Dividend Payment Date means the Dividend Payment Date as that term is defined in the PERLS III Terms.

PCL Issue Date means the date on which the PERLS III are first issued.

PERLS II Securities means convertible notes issued under the PERLS II Convertible Note Deed between the Bank and Commonwealth Managed Investments Limited in its capacity as trustee of the PERLS II Trust and any preference shares in the Bank issued on conversion of those convertible notes.

PERLS III means a fully paid preference share in the share capital of PCL issued on the PERLS III Terms.

PERLS III Terms means the terms of issue of PERLS III.

Record Date means, in relation to a Dividend, the date which is 11 Business Days before the relevant Dividend Payment Date for that Dividend or such other date as the Bank determines in its absolute discretion and communicates to the ASX not less than six Business Days before the specified Record Date or such other date as is required by ASX.

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

Register means the register of Bank PERLS III Preference Shares maintained by the Registrar and includes any CHESS sub-register (as defined in the Listing Rules).

Registrar means Link Market Services Limited or any other registrar that maintains the Register.

Regulatory Event means:

- (a) receipt by the Bank of advice from a reputable legal counsel that, as a result of any change or proposed change in any law or regulation of Australia or any change in judicial interpretation of any such laws or regulations, additional requirements are imposed on the Bank in relation to the Bank PERLS III Preference Shares, which the Bank determines, in its absolute discretion, to be unacceptable; or
- (b) a determination by the Bank that there is a risk that the Bank is not or will not be entitled to treat all of the Bank PERLS III Preference Shares as Tier 1 Capital under APRA guidelines.

Repurchase means, in relation to a Bank PERLS III Preference Share, the Bank at its option redeeming, buying back on the terms in Schedule 1 or otherwise cancelling the Bank PERLS III Preference Share for its Face Value and Repurchased has a corresponding meaning.

Risk Based Capital Ratio means at any time the ratio so described by APRA.

Special Resolution has the same meaning as in the Corporations Act.

Step-up Date means 6 April 2016.

Step-up Margin means the Initial Margin plus 1.00%.

Appendix B Bank PERLS III Preference Shares

Terms of Issue

Tax Act means the Income Tax Assessment Act 1936 of Australia or the Income Tax Assessment Act 1997 of Australia, as the case may be.

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

- (a) the Bank would be exposed to more than a de minimus increase in its costs including grossing-up for withholding tax in relation to the Bank PERLS III Preference Shares; or
- (b) any payment in relation to the Bank PERLS III Preference Shares would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act or Bank PERLS III Preference Share Holders would not be entitled to franking credits in respect of Bank PERLS III Preference Shares, other than where the Bank PERLS III Preference Share Holders' lack of entitlement to franking credits in respect of Bank PERLS III Preference Shares is a result of the actions of the Bank PERLS III Preference Share Holder.

Tax Rate means the Australian corporate tax rate applicable at the relevant Dividend Payment Date, expressed as a decimal.

Tier 1 Capital means at any time any equity, debt or other capital so described by APRA.

Trust Preferred Funding Securities means the convertible notes issued by the Bank to CBA Funding Trust 1 in relation to the Trust Originated Preferred Securities issued by CBA Capital Trust 1 pursuant to an offering memorandum dated 30 July 2003 and any preference shares in the Bank issued on exchange of those securities.

Tier 1 Capital Ratio means at any time the ratio so described by APRA.

VWAP means average of the daily volume weighted average prices of Bank Ordinary Shares traded on the ASX during the relevant period or on the relevant days subject to any adjustments made under clauses 6.4 and 6.5 but does not include any transaction defined as "special" in the ASX Business Rules, crossings prior to the commencement of normal trading, crossings during the after hours adjust phase nor any overseas trades or the exercise of options over Bank Ordinary Shares.

1.2 Interpretation

In these Terms of Issue, unless the context otherwise requires:

- (a) unless otherwise specified in these terms of issue, notices may be given by the Bank to a Bank PERLS III Preference Share Holder in the manner prescribed by the Constitution for the giving of notices and the relevant provisions of the Constitution apply with all necessary modification to notices to Bank PERLS III Preference Share Holders;
- (b) unless otherwise specified in these terms of issue, the Board may exercise all powers of the Bank under these terms of issue as are not, by the Corporations Act or by the Constitution, required to be exercised by the Bank in general meeting;
- (c) definitions and interpretation under the Constitution will also apply to these terms of issue unless the contrary intention is expressed;
- (d) headings and boldings are for convenience only and do not affect the interpretation of these terms of issue;
- (e) words importing the singular include the plural and vice versa;
- (f) words importing a gender include any gender;
- (g) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and any government or semi-government agency;
- (h) a reference to a clause or schedule is a reference to a clause of, and a schedule to, these terms of issue and a reference to these terms of issue includes any schedule;
- (i) a reference to any statute or regulation includes all statutes and regulations amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (j) a reference to a document includes an amendment or supplement to, or replacement or novation of, that document;
- (k) where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next succeeding Business Day;
- (l) a reference to immediately available funds includes cash, cheques and bank cheques;

- (m) a reference to a body, other than the Bank or a Bank PERLS III Preference Share Holder, including a commission or an exchange, whether statutory or not, which ceases to exist or whose functions or powers are transferred to another body, is a reference to the body which replaces it or substantially succeeds to its powers and functions;
- (n) references to sums of money are to amounts in Australian dollars;
- (o) a reference to the proper performance of a duty is a reference to the proper performance of the duty after all available appeals from each judgment in respect of the matter have been exhausted;
- (p) no provision of these terms of issue will be construed adversely to a party solely on the ground that the party was responsible for the preparation of these terms of issue or that provision;
- (q) if a calculation is required under these terms of issue, the calculation will be performed to four decimal places, provided that any amount to be paid to a Bank PERLS III Preference Share Holder will be rounded down to the nearest cent; and
- (r) calculations, elections and determinations made by the Bank under these terms of issue are binding on Bank PERLS III Preference Share Holders in the absence of manifest error.

2 Face Value

The face value of each Bank PERLS III Preference Share is \$200.00 (Face Value).

3 Dividends

3.1 Dividends

Subject to these terms of issue, the Bank PERLS III Preference Share Holder of each Bank PERLS III Preference Share on the relevant Record Date is entitled to receive on each relevant Dividend Payment Date, a dividend (Dividend) calculated in accordance with the following formula:

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

Where:

N means the number of days in the relevant Dividend Period.

3.2 Gross-up

If any Dividend under clause 3.1 will have a Franking Rate of less than 100%, the amount of the Dividend will be adjusted in accordance with the following formula:

$$\frac{D}{1 - [T \times (1 - f)]}$$

Where:

D is the amount of the Dividend under clause 3.1;

T is Tax Rate; and

f is the Franking Rate.

3.3 Dividend Payment tests

The payment of a Dividend is subject to:

- (a) the Board, at its discretion, declaring the Dividend to be payable or otherwise resolving to pay the Dividend. Without limiting the Board's discretion not to declare or resolve to pay the Dividend, the Board will not declare the Dividend to be payable or otherwise resolve to pay the Dividend if in the opinion of the Board:
 - (1) the Bank is not able, or payment of the Dividend would cause the Bank not to be able, to pay all of its debts as and when they become due and payable; or
 - (2) payment of the Dividend would cause a breach of any APRA Guidelines (unless APRA has given its approval); and
- (b) none of the following conditions existing at the Business Day prior to the relevant Dividend Payment Date:
 - (1) there is an Insufficient Distributable Profits Circumstance;
 - (2) the payment would result in the Risk Based Capital Ratio or the Tier 1 Capital Ratio of the Bank (on a Level 1 basis as described by APRA) or the Group (on a Level 2 basis as described by APRA) not complying with APRA Guidelines unless APRA otherwise gives its approval;
 - (3) APRA has objected to the proposed payment; or
 - (4) APRA has stated that the payment will result in the Bank PERLS III Preference Shares no longer being treated as Tier 1 Capital of the Bank; and

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- (c) the Corporations Act and any other law not prohibiting the Bank paying the Dividend (including there being profits legally available for the payment of dividends).

Subject to the above, the Board, at its discretion, and with the consent of APRA, may pay Optional Dividends.

3.4 Non-cumulative Dividends

The dividend rights attached to the Bank PERLS III Preference Shares are non-cumulative. Therefore, if and to the extent that all or any part of a Dividend is not paid because of any provision of clause 3.3 or because of any applicable law, the Bank has no liability to pay that Dividend and, notwithstanding the ability for an Optional Dividend to be paid, the Bank PERLS III Preference Share Holder has no claim or entitlement in respect of the non-payment of that Dividend. No amount accrues on any unpaid Dividends or Optional Dividends, and the Bank PERLS III Preference Share Holder has no claim or entitlement in respect of interest on any unpaid Dividends or Optional Dividends.

3.5 Calculation of Dividends

All calculations of Dividends will be rounded to four decimal places. For the purposes of making any payment of a Dividend in respect of a Bank PERLS III Preference Share Holder's aggregate holding of Bank PERLS III Preference Shares, any fraction of a cent will be disregarded.

3.6 Dividend Payment Dates

Subject to this clause 3, Dividends will be payable in arrears on each Dividend Payment Date.

3.7 Record Dates

A Dividend is only payable to those persons registered as Bank PERLS III Preference Share Holders on the Record Date for that Dividend. An Optional Dividend is only payable to those persons registered as Bank PERLS III Preference Share Holders on the Record Date in respect of the Optional Dividend.

3.8 Deductions and gross-up

The Bank will be entitled to deduct from any Dividend or Optional Dividend or other amounts payable to a Bank PERLS III Preference Share Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by the Bank to the appropriate authority and the balance of the amount payable has been paid to the Bank PERLS III Preference Share Holder concerned, then the full amount payable to such Bank PERLS III Preference Share Holder shall be deemed to have been duly paid and satisfied by the

Bank. The Bank shall pay the full amount deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law and shall, if required by any Bank PERLS III Preference Share Holder, deliver to that Bank PERLS III Preference Share Holder the relevant receipt issued by the revenue authority without delay after it is received by the Bank.

3.9 Dividend security

Subject to clause 3.10, where:

- (a) each Bank PERLS III Preference Share Holder is not paid a Dividend in full within 20 Business Days of the Dividend Payment Date; or
- (b) any dividend scheduled to be paid on the PERLS III on or prior to the Issue Date had not been paid in full on or prior to the Issue Date,

the Bank must not pay any interest, declare or pay any dividends or distribution from the income or capital of the Bank, return any capital or undertake any buybacks, redemptions or repurchases in relation to Existing Capital Securities or any securities of the Bank that rank or are expressed to rank for interest payments, dividends or distributions equally with or junior to the Convertible Notes (or if the Convertible Notes are no longer on issue, would have ranked equally with or junior to them) or Bank PERLS III Preference Shares unless and until:

- (c) a Special Resolution of Bank PERLS III Preference Share Holders authorising the payment, capital return, buyback, redemption or repurchase is approved; or
- (d) an amount in aggregate equal to the full Dividend for the preceding four consecutive Dividend Periods has been paid to Bank PERLS III Preference Share Holders either by the Bank as Dividends under these terms of issue and/or PCL as dividends in accordance with clauses 3.1, 3.2 and 3.8 of the PERLS III Terms; or
- (e) the Bank has paid to Bank PERLS III Preference Share Holders in aggregate an Optional Dividend equal to the unpaid amount or amounts (if any) of the Dividends and/or dividends determined in accordance with clauses 3.1, 3.2 and 3.8 of the PERLS III Terms for the four consecutive Dividend Periods immediately prior to the date of payment of the Optional Dividend.

3.10 Exceptions

Clause 3.9 does not apply to:

- (a) pro rata payments on Bank PERLS III Preference Shares, Existing Capital Securities and securities of the Bank that rank or are expressed to rank for interest payments, dividends or distributions equally with the Bank PERLS III Preference Shares or Convertible Notes (or if the Convertible Notes are no longer on issue, would have ranked for interest payments, dividends or distributions equally with them);
- (b) repurchases, redemptions or other acquisitions of shares in the Bank in connection with:
 - (1) any employment contract, benefit plan or similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of the Bank or its related bodies corporate; or
 - (2) a dividend plan, share purchase plan or share disposal plan; or
 - (3) the issue of shares in the Bank, or securities convertible into or exercisable for shares in the Bank, as consideration in an acquisition transaction entered into prior to the occurrence of the failure to pay a distribution on the relevant Dividend Payment Date;
- (c) an exchange, redemption or conversion of any class or series of the Bank's securities, or any securities of a subsidiary of the Bank or of any other entity whose financial results are required to be consolidated with the Bank, for any class or series of the Bank's shares, or of any class or series of the Bank's indebtedness for any class or series of the Bank's shares;
- (d) the purchase of fractional interests in shares in the Bank under the conversion or exchange provisions of the shares or the security being converted or exchanged;
- (e) any declaration of a dividend in connection with any shareholder's rights plan, or the issue of rights, shares or other property under any shareholder's rights plan, or the redemption or repurchase of rights pursuant to the plan; or
- (f) any dividend in the form of shares, warrants, options or other rights where the dividend shares or the shares issuable upon exercise of such warrants, options or other rights are the same class or series of shares as those on which the dividend is being paid or rank equal or junior to those shares.

4 Exchange by the Bank

4.1 Exchange events

The Bank may, subject to this clause 4.1 and to APRA approval if required, Exchange all or some of the Bank PERLS III Preference Shares by giving notice to Bank PERLS III Preference Share Holders:

- (a) in respect of some or all of the Bank PERLS III Preference Shares, at least 22 Business Days (but not more than 6 months) before:
 - (1) the Step-up Date; or
 - (2) any Dividend Payment Date after the Step-up Date; or
- (b) at any time, if a Regulatory or Tax Event occurs, in respect of all (but not some) of the Bank PERLS III Preference Shares.

4.2 Method of Exchange

- (a) If the Bank gives a notice under clause 4.1 (Bank Exchange Notice), the Bank must indicate in that notice which of the following will occur on the Exchange Date in respect of each Bank PERLS III Preference Share the subject of the notice:
 - (1) the Bank Converts all or some of the Bank PERLS III Preference Shares to a number of Bank Ordinary Shares calculated in accordance with clause 6; or
 - (2) subject to APRA approval, the Bank Repurchases all or some of the Bank PERLS III Preference Shares in accordance with clause 7.
- (b) If the Bank elects more than one method of Exchange under clause 4.2(a), the Bank must endeavour to treat Bank PERLS III Preference Share Holders on an approximately proportionate basis, but may discriminate to take account of the effect on all or some holdings which would be less than a Marketable Parcel and other considerations.

4.3 Bank Exchange Notice

- (a) If the Bank elects to Exchange Bank PERLS III Preference Shares pursuant to clause 4.1(b), the Bank must include in the Bank Exchange Notice given under clause 4.1 the relevant details of the Regulatory Event or Tax Event and the Exchange Date.
- (b) Each Bank PERLS III Preference Share Holder acknowledges that a Bank Exchange Notice may be given to them by the Bank publishing the notice on its website (www.commbank.com.au) and announcing the publication of the notice to ASX.

5 Automatic Conversion

5.1 Automatic Conversion Event

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

- (a) a Change of Control Event;
- (b) an APRA Event; or
- (c) a Default Event.

5.2 Automatic Conversion Notice

If an Automatic Conversion Event occurs, the Bank must notify each Bank PERLS III Preference Share Holder in writing (Automatic Conversion Notice) of such event as soon as practicable after the occurrence of the event and notify each Bank PERLS III Preference Share Holder in the Automatic Conversion Notice of the Exchange Date on which the Bank PERLS III Preference Shares will be Converted in accordance with clause 5.3.

5.3 Conversion of Bank PERLS III Preference Shares

If an Automatic Conversion Event occurs, on the Exchange Date the Bank must Convert all of the Bank PERLS III Preference Shares to a number of Bank Ordinary Shares calculated in accordance with clause 6.

6 Conversion of Bank PERLS III Preference Shares

6.1 Calculation

Subject to this clause 6, if the Bank elects or is required to Convert Bank PERLS III Preference Shares into Bank Ordinary Shares pursuant to these Terms of Issue, each Bank PERLS III Preference Share being Converted will, on the relevant Exchange Date be Converted into and have the same rights as one Bank Ordinary Share and the Bank PERLS III Preference Share Holder will be entitled to be issued with an additional number of Bank Ordinary Shares for each Bank PERLS III Preference Share that is Converted, calculated in accordance with the following formula:

$$AS = CR - 1$$

where:

AS (additional shares) means a number of additional Bank Ordinary Shares which is equal to or greater than zero;

CR (conversion ratio) means the number of Bank Ordinary Shares determined in accordance with the following formula (but subject to CR being no less than 1 and no more than the Maximum Conversion Number:

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

where

DF is the discount factor and is 0.025; and

VWAP means VWAP during the Reference Period.

6.2 Conversion mechanics

A Bank PERLS III Preference Share confers all of the rights attaching to one Bank Ordinary Share but these rights do not take effect until the date of Conversion. At that time:

- (a) all other rights or restrictions conferred on that Bank PERLS III Preference Share under these terms of issue will no longer have effect (except for rights relating to a Dividend that has been declared but has not been paid on or before the date of Conversion, which will continue); and
- (b) the Bank Ordinary Share resulting from Conversion will rank equally with all other Bank Ordinary Shares then on issue and the Bank will issue a statement that the holder of those shares holds a share so ranking.

Conversion does not constitute a buyback, cancellation, redemption or termination of a Bank PERLS III Preference Share or an issue, allotment or creation of a new share (other than the additional Bank Ordinary Shares issued under clause 6.1).

6.3 Number of Bank Ordinary Shares

If the total number of Bank Ordinary Shares to be issued to a Bank PERLS III Preference Share Holder under clause 6.1 in respect of all of the Bank PERLS III Preference Share Holder's Bank PERLS III Preference Shares being Converted includes a fraction of a share, that fraction of a share will be disregarded.

6.4 Adjustment to VWAP

For the purposes of calculating VWAP under clause 6.1:

- (a) where, on some or all of the Business Days in the relevant Reference Period, Bank Ordinary Shares have been quoted on the ASX as cum dividend or cum any other distribution or entitlement and the Bank PERLS III Preference Shares will convert into Bank Ordinary Shares after that date and those Bank Ordinary Shares no longer carry that entitlement, then the VWAP on the Business Days on which those Bank Ordinary Shares have been quoted cum dividend or cum entitlement shall be reduced by an amount (Cum Value) equal to:
- (1) in the case of a dividend or other cash distribution, the amount of that dividend or cash distribution; or
 - (2) in the case of an entitlement which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the relevant Reference Period on the Business Days on which those entitlements were traded; or
 - (3) in the case of an entitlement not traded on the ASX during the relevant Reference Period or a non-cash distribution, the value of the entitlement or non-cash distribution as reasonably determined by the Board; and
- (b) where on some or all of the Business Days in the relevant Reference Period, Bank Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement, and the Bank PERLS III Preference Shares will be converted to Bank Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Bank Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement shall be increased by the Cum Value.

6.5 Adjustment to VWAP for capital reconstruction

Where the Bank Ordinary Shares are reconstructed, consolidated, divided or reclassified (other than by way of a bonus issue, rights issue or other essentially pro rata issue which is to be treated under clause 6.6) into a lesser or greater number of securities during the period in which the VWAP is calculated under clause 6.1, the VWAP shall be adjusted by the Bank as it considers appropriate to ensure that the Bank PERLS III Preference Share Holders are in an economic position in relation to their Bank PERLS III Preference Shares that is as similar as reasonably practicable to the economic position prior to the occurrence of the event that gave rise to the need for the adjustment.

Any adjustment made by the Bank will constitute an alteration of these terms of issue and these terms of issue will be construed accordingly. Any such adjustment must be promptly notified to all Bank PERLS III Preference Share Holders.

6.6 Adjustment to Maximum Conversion Number for bonus and rights issues

- (a) Subject to clauses 6.6(b) and (c) below, if the Bank makes a pro rata bonus issue or a rights issue or other essentially pro rata issue (including an issue of the kind known as a “jumbo” issue, where offers to certain institutional holders (or beneficial holders) are made in advance of offers to other holders) of Bank Ordinary Shares to holders of Bank Ordinary Shares generally, the Maximum Conversion Number will be adjusted immediately in accordance with the following formula:

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

Where:

- CN means the Maximum Conversion Number applying immediately after the application of this formula;
- CNo means the Maximum Conversion Number applying immediately prior to the application of this formula;
- P means the VWAP during the period from (and including) the first Business Day after the announcement of the bonus, rights or other relevant issue to the ASX up to (and including) the last Business Day of trading cum rights, bonus or other relevant issue (or if there is no period of cum rights, bonus or other relevant issue trading, an amount reasonably determined by the Board as representing the value of an Bank Ordinary Shares cum the rights, bonus or other relevant issue);
- A means the subscription or unit price per Bank Ordinary Share for a rights issue and is zero in the case of a bonus issue;
- RN means the number of Bank Ordinary Shares issued pursuant to the rights, bonus or other relevant issue; and
- RD means the number of Bank Ordinary Shares on issue immediately prior to the allotment of new Bank Ordinary Shares pursuant to the rights, bonus or other relevant issue.

Appendix B Bank PERLS III Preference Shares

Terms of Issue

- (b) No adjustment to the Maximum Conversion Number will occur if A exceeds P.
- (c) Clause 6.6(a) does not apply to Bank Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- (d) For the purpose of clause 6.6, an issue will be regarded as a pro rata issue notwithstanding that the Bank does not make offers to some or all holders of Bank Ordinary Shares with registered addresses outside Australia and New Zealand, provided that in so doing the Bank is not in contravention of the Listing Rules.

6.7 Adjustment to Maximum Conversion Number for off-market buyback

- (a) Subject to clause 6.7(b), if the Bank undertakes an off-market buyback under a scheme which but for restrictions on transfer would be generally available to holders of Bank Ordinary Shares, the Maximum Conversion Number will be adjusted immediately in accordance with the following formula:

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

Where:

- CN means the Maximum Conversion Number respectively applying immediately after the application of this formula;
- CNo means the Maximum Conversion Number respectively applying immediately prior to the application of this formula;
- P means the VWAP during the 20 Business Days prior to the announcement to the ASX of the buyback;
- A means the buyback price per Bank Ordinary Share;
- BN means the number of Bank Ordinary Shares bought back; and
- BD means the number of Bank Ordinary Shares on issue immediately prior to the buyback.

- (b) No adjustment to the Maximum Conversion Number will occur if P exceeds A.

6.8 Adjustment to Maximum Conversion Number for return of capital

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

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

Where:

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

6.9 Adjustment to Maximum Conversion Number for capital reconstruction

If at any time the Bank Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities, the Board may if it considers it appropriate reconstruct the Maximum Conversion Number in the same way as the number of options over Bank Ordinary Shares would be in the same context, in accordance with the Listing Rules (as they apply to the Bank). Each Bank PERLS III Preference Share Holder acknowledges that the Bank may reconstruct, consolidate, divide or reclassify into a lesser or greater number of securities the Bank Ordinary Shares at any time in its absolute discretion without any such action constituting a variation of rights of Bank PERLS III Preference Share Holders or otherwise requiring any consent or concurrence.

6.10 Bank Ordinary Shares

Each Bank Ordinary Share issued or arising upon conversion of a Bank PERLS III Preference Share under these terms of issue ranks *pari passu* with all other fully paid Bank Ordinary Shares.

7 Repurchase of Bank PERLS III Preference Shares

7.1 Repurchase generally

- (a) Subject to APRA's consent, where the Bank has elected to Repurchase Bank PERLS III Preference Shares pursuant to clause 4.2(a)(2), the Bank may Repurchase all or some of the outstanding Bank PERLS III Preference Shares for their Face Value.
- (b) Subject to APRA's consent, on the Exchange Date:
 - (1) the Bank PERLS III Preference Shares to which the Bank Exchange Notice under clause 4.1 relates will be Repurchased by the Bank for the consideration specified above paid to the Bank PERLS III Preference Share Holder; and
 - (2) all other rights conferred or restrictions imposed under these terms of issue on each Bank PERLS III Preference Share that is Repurchased will no longer have effect (except for rights relating to a Dividend which has been declared, but has not been paid, on or before the Exchange Date, which will continue).

7.2 Irrevocable offer to sell

For the purpose of the Repurchase of Bank PERLS III Preference Shares by the Bank under the terms of issue:

- (a) each Bank PERLS III Preference Share Holder is taken irrevocably to offer to sell some or all of the Bank PERLS III Preference Shares held by them on the relevant Exchange Date, as specified in a Bank Exchange Notice on the relevant Exchange Date on the terms set out in Schedule 1; and
- (b) the Bank may accept this offer by giving a notice to the Bank PERLS III Preference Share Holder. The Bank or other Appointed Person may receive the Bank's acceptance of the Bank PERLS III Preference Share Holder's offer (which will be announced by the Bank to ASX) and execute the share buyback agreement on behalf of the Bank PERLS III Preference Share Holder;

- (c) if the Repurchase involves a reduction of capital or buyback with respect to Bank PERLS III Preference Shares, each Bank PERLS III Preference Share Holder must vote in favour (to the extent the Bank PERLS III Preference Share Holder is entitled to do so) or otherwise abstain from any required resolution; and
- (d) any offer (or similar document) from the Bank deemed to be accompanied by any other document or information (which may be published on the Bank's website at www.commbank.com.au) which is incorporated by reference in the offer (or similar document).

8 Exchange provisions

8.1 Exchange Notices

- (a) An Exchange Notice is irrevocable once given.
- (b) An Automatic Conversion Notice will prevail over any other Exchange Notice.
- (c) On receipt of an Exchange Notice, a Bank PERLS III Preference Share Holder must not deal with, transfer, dispose or otherwise encumber the Bank PERLS III Preference Shares which are the subject of the Exchange Notice.

8.2 Power of attorney

Each Bank PERLS III Preference Share Holder irrevocably:

- (a) appoints the Bank, each of its Authorised Officers and any liquidator, administrator or statutory manager of the Bank (each an Appointed Person) severally to be the attorney of the Bank PERLS III Preference Share Holder and the agent of the Bank PERLS III Preference Share Holder with power in the name and on behalf of the Bank PERLS III Preference Share Holder to do all such acts and things including signing all documents or transfers as may in the opinion of the Appointed Person be necessary or desirable to be done in order to effect, record or perfect the transfer or Repurchase (or transactions contemplated by the Repurchase) of the Bank PERLS III Preference Shares held by the Bank PERLS III Preference Share Holder when required in accordance with clauses 4.2, 5.3, 7.2 and 8.3 (including but not limited to acting as agent of each Bank PERLS III Preference Share Holder to receive acceptance by the Bank of the irrevocable offer of each Bank PERLS III Preference Share Holder under clause 7.2(a)); and

Appendix B Bank PERLS III Preference Shares

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- (b) authorises and directs the Bank to make such entries in the Register, including amendments and additions to the Register, which the Bank considers necessary or desirable to record the transfer or Repurchase of the Bank PERLS III Preference Shares in accordance with clauses 4.2, 5.3, 7.2 and 8.3 and to record that on that transfer or Repurchase the holder of the Bank PERLS III Preference Share ceases to be registered as the holder of Bank PERLS III Preference Shares.

The power of attorney and agency appointment given in clause 8.2 is given to secure the performance by the Bank PERLS III Preference Share Holder of the Bank PERLS III Preference Share Holder's obligations under these terms of issue and is irrevocable.

8.3 Further assurances

If the Bank decides to Exchange Bank PERLS III Preference Shares in accordance with these terms of issue, the Bank PERLS III Preference Share Holder must:

- (a) provide all documentation and execute any authorisation or power necessary; and
- (b) take all other action necessary or desirable, to effect the Exchange.

9 Entitlement and ranking

9.1 Ranking

- (a) Bank PERLS III Preference Shares rank equally amongst themselves in all respects.
- (b) The Bank may issue further preference shares in the share capital of the Bank which rank equally with or behind existing Bank PERLS III Preference Shares, whether in respect of payment of dividends, return of share capital on a winding-up of the Bank or otherwise.

Such an issue does not constitute a variation or cancellation of the rights attached to the then existing Bank PERLS III Preference Shares and does not require the approval of Bank PERLS III Preference Share Holders.

9.2 Preferential dividend

The Bank PERLS III Preference Shares rank in priority to Bank Ordinary Shares for the payment of dividends.

9.3 No set off

Any amount due to a Bank PERLS III Preference Share Holder in respect of the Bank PERLS III Preference Shares may not be set off against any claims by the Bank against the Bank PERLS III Preference Share Holder.

9.4 Return of share capital

If there is a return of capital on a winding-up of the Bank, Bank PERLS III Preference Share Holders will be entitled to receive out of the assets of the Bank available for distribution to holders of shares in the capital of the Bank in respect of each Bank PERLS III Preference Share held, a cash sum of the amount equal to the greater of \$1.00 and the amount they would have been entitled to if the Bank PERLS III Preference Shares had Converted into Bank Ordinary Shares at commencement of the winding up in accordance with clause 5, before any return of capital is made to holders of Bank Ordinary Shares or any other class of shares or Capital Securities ranking behind Bank PERLS III Preference Shares.

9.5 Shortfall on winding-up

If, upon a return of share capital on a winding-up of the Bank, there are insufficient funds to pay the full amounts referred to in clause 9.4 and the amounts payable in respect of any other shares, securities or other instruments in the Bank ranking as to such distribution equally with the Bank PERLS III Preference Shares on a winding-up of the Bank, Bank PERLS III Preference Share Holders and the holders of any such other shares, securities or other instruments will share in any distribution of assets of the Bank in proportion to the amounts to which they respectively are entitled.

9.6 No participation in surplus assets

The Bank PERLS III Preference Shares do not confer on the Bank PERLS III Preference Share Holders any further right to participate in the surplus assets of the Bank on a winding-up of the Bank.

9.7 Restrictions on other issues

The Bank must not, without approval of a Special Resolution of Bank PERLS III Preference Share Holders, issue shares in the share capital of the Bank ranking in priority to the Bank PERLS III Preference Shares or permit the conversion of any existing shares in the share capital of the Bank to shares ranking in priority to the Bank PERLS III Preference Shares.

9.8 Participation in new issues

The Bank PERLS III Preference Shares confer no rights to subscribe for new securities of the Bank or to participate in any bonus issues of securities of the Bank.

9.9 No other rights

Bank PERLS III Preference Shares do not confer on the Bank PERLS III Preference Share Holders any right to participate in profits or property except as set out in these terms of issue.

9.10 Issues at other than Face Value

Nothing in these terms of issue prevents an issue of PERLS III at an issue price other than Face Value.

9.11 Deposit liabilities

The Bank PERLS III Preference Shares are not deposit liabilities of the Bank and are not subject to any depositor protection provisions under applicable Australian law.

9.12 Foreign Holders

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

10 Voting rights

10.1 Entitlement to receive notices of meetings

Bank PERLS III Preference Share Holders will be entitled to the same rights as holders of Bank Ordinary Shares in relation to receiving notices, reports and financial statements and attending and being heard at all general meetings of the Bank.

10.2 No right to speak or vote except in specific circumstances

- (a) Bank PERLS III Preference Share Holders will have the right to vote in the following circumstances:
- (1) during a period during which a Dividend (or part of a Dividend) in respect of the Bank PERLS III Preference Shares is in arrears;
 - (2) on a proposal to reduce the Bank's share capital;
 - (3) on a proposal that affects rights attached to Bank PERLS III Preference Shares;
 - (4) on a resolution to approve the terms of a buyback agreement;

- (5) on a proposal to wind-up the Bank;
- (6) on a proposal for the disposal of the whole of the Bank's property, business and undertaking; and
- (7) during the winding-up of the Bank.

- (b) At a general meeting of the Bank, Bank PERLS III Preference Share Holders shall be entitled:

- (1) on a show of hands, to exercise one vote when entitled to vote under any circumstances set out in clause 10.2(a) above; and
- (2) on a poll, to exercise one vote for each Bank PERLS III Preference Share held by them when entitled to vote under any circumstances set out in clause 10.2(a).

11 Listing

The Bank must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation on each Exchange Date of all Bank Ordinary Shares issued under clause 7 on the securities exchanges on which the other Bank Ordinary Shares are quoted on that Exchange Date.

12 Amendments to these terms of issue

- (a) Subject to complying with all applicable laws and clause 12(b), the Bank PERLS III Preference Share Holders of the Bank PERLS III Preference Shares may, with the agreement of the Board, by Special Resolution amend these terms of issue.
- (b) Subject to complying with all applicable laws and with the prior approval of APRA, the Bank may, with the agreement of the Board but without the authority, assent or approval of Bank PERLS III Preference Share Holders, amend or add to these terms of issue where the amendment or addition is, in the opinion of the Bank:
- (1) made to correct a manifest error;
 - (2) of a formal, minor or technical nature;
 - (3) made to comply with any law, the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which the Bank proposes from time to time to seek quotation of the Bank PERLS III Preference Shares;

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- (4) convenient for the purpose of obtaining or maintaining the listing or quotation of the Bank PERLS III Preference Shares; or
- (5) is not, and is not likely to become, materially prejudicial to Bank PERLS III Preference Share Holders generally.

13 Governing law

These terms of issue are governed by the laws of New South Wales.

Schedule 1 – Buyback terms

1 Agreement

1.1 Effective date

These are the terms of the buyback agreement which will come into existence between the Bank and Bank PERLS III Preference Share Holders in the event the Bank elects to accept the irrevocable offer to sell referred to in clause 7.2(a) of the Terms. The agreement will come into force and effect when the last of the following events occurs, in each case after a Bank Exchange Notice is given:

- (a) the Bank gives a notice under clause 7.2(b) of the Terms; and
- (b) the Bank obtains all consents (if any) to the Buyback which are required to be obtained from the Bank's shareholders or any regulatory authority or other person in accordance with any applicable law or by the ASX Listing Rules (subject, in each case, to any modifications or waivers of such laws or listing rules); and
- (c) the Record Date for the final Dividend to be paid on the Bank PERLS III Preference Shares identified in the Bank Exchange Notice.

1.2 Effect of agreement

The terms and conditions set out in this agreement are of no force and effect unless and until the agreement has become effective under clause 1.1.

2 Buyback

Each Bank PERLS III Preference Holder agrees to sell the Buyback Shares to the Buyer on the terms set out in this agreement.

3 Buyback Price

The Buyer will pay the Buyback Price to each Bank PERLS III Preference Share Holder for each Buyback Share bought back under this agreement.

4 Completion

4.1 Completion timing

Completion of the Buyback will take place on the Exchange Date.

4.2 Completion obligations

On the Exchange Date:

- (a) the Buyer will pay the Buyback Price for each Buyback Share to the relevant Bank PERLS III Preference Share Holder;
- (b) each Bank PERLS III Preference Share Holder (by itself or through its agent or attorney) will deliver to the Buyer a duly executed transfer of the Buyback Shares.

4.3 Further assurance

The Buyer and the Bank PERLS III Preference Share Holders will do all things necessary or desirable to give full effect to the provisions of this agreement and the transactions contemplated by it.

5 Definitions and interpretation

5.1 Interpretation

- (a) unless the context otherwise requires, all words and expressions used in this agreement which are defined in the Terms have the same meaning in this agreement;
- (b) unless otherwise specified, a reference to a clause is a reference to a clause of this agreement;
- (c) headings are for convenience only and do not affect the interpretation of this agreement;
- (d) the singular includes the plural and vice versa;
- (e) if an event under this agreement must occur on a stipulated day which is not a Business Day then the event will be done on the next Business Day;
- (f) a reference to a statute, ordinance, code or other law or to the listing rules includes regulations and other instruments under it and consolidations, amendments, re-enactments, or replacements of any of them;
- (g) a reference to "\$" or "¢" is a reference to the lawful currency of Australia;
- (h) calculations, elections and determinations made by the Bank under this agreement are binding on each Bank PERLS III Preference Share Holder in the absence of manifest error.

5.2 Definitions

The following words have these meanings in this agreement unless the contrary intention appears:

Bank means Commonwealth Bank of Australia
ABN 48 123 123 124.

Bank Exchange Notice means a notice given by the Bank to Bank PERLS III Preference Share Holders from time to time under clause 4.1 of the Terms.

Bank PERLS III Preference Share has the meaning given in clause 1.1 of the Terms.

Bank PERLS III Preference Share Holder means each Bank PERLS III Preference Share Holder as at the date that this agreement comes into force and effect.

Buyback means, in relation to the Bank PERLS III Preference Shares, the purchase of the Bank PERLS III Preference Shares from the Bank PERLS III Preference Share Holder pursuant to this agreement.

Buyback Price means, in respect of each Buyback Share, an amount equal to the Issue Price of each Buyback Share.

Buyback Shares means the number or proportion of the Bank PERLS III Preference Shares held by the Bank PERLS III Preference Shareholder on the Exchange Date as specified for Buyback in the Bank Exchange Notice.

Buyer means the Bank.

Exchange Date means the date on which the Buyback will occur, being the date specified in the Bank Exchange Notice as the date for completion of the Buyback, determined in accordance with the Terms.

Issue Price means \$200 per Bank PERLS III Preference Share.

Terms means the terms of issue of the Bank PERLS III Preference Shares.

Appendix C

Glossary

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

A-IFRS	Australian equivalents to International Financial Reporting Standards
ABN	Australian Business Number
Allocation	The number of PERLS III allocated to Successful Applicants
Allotment	The allotment of PERLS III to Successful Applicants
Allotment Date	The date on which PERLS III are allotted to Successful Applicants, expected to be 6 April 2006
Applicant	A person who lodges an Application Form in accordance with this Prospectus
Application	The lodgement of an Application Form in accordance with this Prospectus
Application Form	Each form attached to or accompanying this Prospectus (including an application form in the online Prospectus available at www.commsec.com.au) for investors to apply for PERLS III under the offer
Application Monies	The monies payable on Application, being the product of the number of PERLS III applied for and the Issue Price of \$200
APRA	Australian Prudential Regulation Authority
APRA Event	If any of the following occurs: <ul style="list-style-type: none"> • APRA determines that the Bank has a Tier 1 Capital ratio of less than 5% (or such other percentage as may be required from time to time by APRA) or a Risk Based Capital Ratio of less than 8% (or such other percentage as may be required from time to time by APRA); or • APRA issues a written directive to the Bank under applicable banking regulations, legislation or guidelines for the Bank to increase its capital; or • APRA appoints a statutory manager to the Bank or commences proceedings for the winding-up of the Bank; or • the retained earnings of the Bank fall below zero
APRA Guidelines	Guidelines, policy statements and practice notes or other equivalent statements of APRA which are applicable to the Bank
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange Limited (ABN 98 008 624 691)
Australian Financial Services Licence	Has the meaning given to that term in the Corporations Act
Bank	Commonwealth Bank of Australia (ABN 48 123 123 124)

Bank Bill Swap Rate	<p>The average mid rate for bills of a term of 90 days (expressed as a percentage per annum) which average rate is displayed on the page of Reuters Monitor System designated “BBSW” (or any page which replaces that page) on the relevant date, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30am on that date, the rate specified in good faith by the Bank at or around that time on that date having regard, to the extent possible, to:</p> <ul style="list-style-type: none"> • the rates otherwise bid and offered for bills of that term or for funds of that tenor, at or around the same time (including, without limitation, the sets of bid and offer rates for bills of that tenor displayed on that page “BBSW” at that time on that date); or • if bid and offer rates for bills of that term are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time.
Bank Ordinary Share	A fully paid ordinary share in the capital of the Bank
Bank Ordinary Shareholder	The registered holder of a Bank Ordinary Share
Bank PERLS III Preference Share	A fully paid preference share in the share capital of the Bank, issued on the Bank PERLS III Preference Shares Terms of Issue
Bank PERLS III Preference Share Terms of Issue	The terms and conditions upon which Bank PERLS III Preference Shares are issued as set out in full in Appendix B
Banking Act	Banking Act 1959 (Cth)
Bookbuild	The process referred to in Section 5.4 to determine the Initial Margin
Broker Firm Offer	The invitation made by PCL pursuant to this Prospectus for Australian resident retail and selected institutional investors to apply for a broker firm Allocation of PERLS III from the Joint Lead Managers, Co-Managers and participating brokers to the Offer
Business Day	Has the meaning given to that term in the Listing Rules
Capital Securities	Any equity, hybrid or subordinated debt security issued by the Bank or any subsidiary of the Bank or any other entity whose financial results are required to be consolidated with the Bank other than the Convertible Notes
CBA NZ	The New Zealand branch of the Bank
Change of Control Event	<p>Occurs in the following circumstances:</p> <ul style="list-style-type: none"> • a takeover bid (as defined in the Corporations Act) is made to acquire some or all of the Bank Ordinary Shares on issue and the offer is, or becomes, unconditional and: <ul style="list-style-type: none"> – the voting power of the offeror in the Bank is, or becomes, greater than 50%; or – the Bank issues a statement recommending acceptance of the offer; or • a court approves the convening of a meeting of the holders of Bank Ordinary Shares to approve a scheme of arrangement under Part 5.1 of the Corporations Act which, when implemented, will result in a person having voting power in the Bank of more than 50% and either the holders (or relevant class or classes of holders) of Bank Ordinary Shares pass a resolution approving the scheme of arrangement or an independent expert issues a report that the scheme of arrangement is in the best interests of the holders of Bank Ordinary Shares

CHESS	Clearing House Electronic Subregister System
Citigroup	Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832)
CMIL	Commonwealth Managed Investments Limited (ABN 33 084 098 180), Australian Financial Services Licence No. 235384
Co-Managers	ABN AMRO Morgans Limited (ABN 49 010 669 726), Australian Financial Services Licence No. 235410 ANZ Securities Limited (ABN 16 004 997 111), Australian Financial Services Licence No. 237531 Bell Potter Securities Limited (ABN 25 006 390 772), Australian Financial Services Licence No. 243480 Ord Minnett Limited (ABN 86 002 733 048), Australian Financial Services Licence No. 237121 Wilson HTM Ltd (ABN 68 010 529 665), Australian Financial Services Licence No. 238 375
CommSec	Commonwealth Securities Limited (ABN 60 067 254 399)
Constitution	The constitution of PCL
Conversion Date	The date on which the Convertible Notes convert into Bank PERLS III Preference Shares, which is 6 April 2046
Conversion Number	The formula used to determine the number of Bank Ordinary Shares to be issued on exchange of PERLS III in accordance with clause 7 of the PERLS III Terms of Issue
Convertible Note	An Australian dollar denominated convertible note issued by CBA NZ under the Convertible Note Deed
Convertible Note Deed	The deed of that name between CBA NZ and PCL
Corporations Act	Corporations Act 2001 (Cth)
Default Event	If any of the following occurs: <ul style="list-style-type: none"> • the Bank makes a payment in breach of the Dividend Stopper; • the Bank ceases or suspends the conduct of all of its business; • a proceeding is commenced by the Bank or a person that controls the Bank for an order that the Bank be dissolved, wound-up or liquidated or for the appointment of a provisional liquidator, liquidator, receiver, receiver and manager, administrator, controller or similar official in respect of the Bank or all or substantially all of its property; • a proceeding for an order of a kind described in the previous paragraph is commenced by any other person for an order that the Bank be dissolved, wound-up or liquidated and is not dismissed within 30 Business Days of filing; or • a provisional liquidator, liquidator, receiver, receiver and manager, administrator, controller or similar official is appointed in respect of the Bank or all or substantially all of its property and such appointment is not revoked or set aside within 30 Business Days of such appointment.
Deferral Condition	The conditions relating to the ability to pay interest on the Convertible Notes as described in Section 3
Deutsche Bank	Deutsche Bank AG (ABN 13 064 165 162)
DF or Discount Factor	The discount factor under clause 7.1 of the PERLS III Terms of Issue and equals 0.025

Distributable Profits	<p>In relation to an Interest Payment Date, an amount calculated in accordance with the following formula:</p> $\text{Distributable Profits} = A - B$ <p>Where:</p> <p>A is the aggregate of the consolidated net profits after income tax of the Bank, its subsidiaries and other entities whose financial results are required to be consolidated with the Bank for the immediately preceding two six-monthly financial periods for which results have been publicly announced (or any other amount as determined by APRA in its discretion to be appropriate in the Bank's circumstances for the purposes of the Bank's Tier 1 Capital obligations); and</p> <p>B is the aggregate amount of dividends, distributions or other amounts paid, decided to be paid or liable to be paid by the Bank, any of its subsidiaries and other entities whose financial results are required to be consolidated with the Bank in the 12 months to and including the Interest Payment Date on:</p> <ol style="list-style-type: none"> (1) PERLS III; (2) any other Tier 1 qualifying Capital Security of the Bank, any of its subsidiaries or any other entities whose financial results are required to be consolidated with the Bank to the extent dividends or distributions on those securities are funded by the Bank or by instruments of the Bank; and (3) any other share capital of the Bank (including Bank Ordinary Shares), <p>but excluding:</p> <ol style="list-style-type: none"> (1) distributions payable in relation to the PERLS III on the Interest Payment Date; (2) any such dividend, distribution or other amount to which the Bank, any of its subsidiaries or any other entities whose financial results are required to be consolidated with the Bank was or is beneficially entitled; and (3) any such dividend, distribution or other amount which is included in the calculation of consolidated net profit after tax within the meaning of A.
Dividend	Dividends payable to PERLS III Holders under the PERLS III Terms of Issue
Dividend Payment Date	<p>The date on which a Dividend is scheduled to be paid, which is:</p> <ul style="list-style-type: none"> • 6 April, 6 July, 6 October and 6 January in each year; and • an Exchange Date, other than an Exchange Date referred to in paragraphs (e), (f) and (g) of the definition of Exchange Date in the PERLS III Terms of Issue that is not otherwise a Dividend Payment Date in the PERLS III Terms of Issue, <p>provided that the first scheduled Dividend Payment Date will be 6 July 2006</p>
Dividend Period	<p>The period to which each Dividend relates, which is:</p> <ul style="list-style-type: none"> • the period from, and including, the Issue Date until, but excluding, the first Dividend Payment Date; and • thereafter, the period from, and including, the preceding Dividend Payment Date until, but excluding, the next Dividend Payment Date

Dividend Rate	The percentage per annum calculated in accordance with the following formula: $(\text{Market Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$
Dividend Stopper	The circumstances in which the Bank is restricted from paying dividends, distributions or other amounts on certain securities as described in clause 3.9 of the PERLS III Terms of Issue or clause 3.9 of the Bank PERLS III Preference Share Terms of Issue
Election Rules	Has the meaning given to that term in the PERLS III Terms of Issue
Eligible PERLS Holder	A registered holder of PERLS as at 5.00 pm on the record date which is 3 March 2006, with a registered Australian address
Eligible Securityholder	A registered holder of PERLS II or Bank Ordinary Shares, with a registered Australian address
Exchange Date	The date on which exchange occurs as defined in the PERLS III Terms of Issue
Exchange Deed	An agreement between the Bank and PCL dated on or about 23 February 2006 regulating the mechanics of exchange of PERLS III under the PERLS III Terms of Issue and the relationship between the parties
Expiry Date	The date after which no further PERLS III will be allotted or issued on the basis of this Prospectus, which is 23 March 2007
Exposure Period	The seven day period (ASIC may extend the period by up to a further seven days) after this Prospectus is lodged with ASIC, during which time no Applications may be accepted
Face Value	\$200
General Applicant	An Applicant other than an Applicant under the Reinvestment Offer, the Securityholder Offer or the Broker Firm Offer
General Application Form	The white application form for the General Offer
General Offer	The invitation made by PCL pursuant to this Prospectus for Australian resident retail investors to apply for PERLS III
Group	The Bank and its controlled entities
HIN	Holder Identification Number
Holding Statement	A statement issued to Holders by the Registry which sets out details of their Allocation
Initial Margin	1.05% per annum
Initial Market Rate	For the first Dividend Period will be the Bank Bill Swap Rate on the Allotment Date
Insufficient Distributable Profits Circumstance	Interest payable on the Convertible Notes exceeds Distributable Profits
Interest Payment Date	The date on which interest on the Convertible Notes is scheduled to be paid, which is: <ul style="list-style-type: none"> • 6 January, 6 April, 6 July and 6 October in each year; and • in respect of a Convertible Note, the Exchange Date for that Convertible Note, provided that the first scheduled Interest Payment Date will be 6 July 2006
Interest Period	<ul style="list-style-type: none"> • For the first Interest Period occurring under the Convertible Note Deed, the period from and including the date of issue of the first Convertible Note to and excluding the next Interest Payment Date; and • in all other circumstances, the period beginning on and including the preceding Interest Payment Date to and excluding the next occurring Interest Payment Date

Appendix C Glossary

Interest Rate	The percentage per annum calculated in accordance with the following formula: (Market Rate – Discount) where the Discount is 0.28% per annum
Intermediary Arrangement Deed	The deed of that name between PCL and CommSec dated on or about 23 February 2006
Investment Grade	A security or debt obligation with a credit rating of "BBB-" or higher from Standard & Poor's or "Baa3" or higher from Moody's
Issue Date	The date on which the first Convertible Note is issued under the Convertible Note Deed which will be the Allotment Date, expected to be 6 April 2006
Issue Price	\$200
Issuer	Preferred Capital Limited (ABN 68 101 938 176)
Joint Lead Manager	Each of CommSec, Deutsche Bank, UBS, Macquarie and Citigroup
Link	Link Market Services Limited (ABN 58 083 214 537)
Listing Rules	The listing rules of the ASX as amended or waived from time to time
Macquarie	Macquarie Equity Capital Markets Limited (ABN 60 001 374 572)
Margin	<ul style="list-style-type: none"> • Until, but excluding, the Step-up Date, the Initial Margin; and • from, and including, the Step-up Date, the Step-up Margin
Market Rate	The Initial Market Rate for the first Dividend Period and, for each subsequent Dividend Period, the Bank Bill Swap Rate applying on the first Business Day of that Dividend Period
Maximum Conversion Number	100, subject to adjustment in accordance with the PERLS III Terms of Issue
Moody's	Moody's Investor Services, Inc
Netting Deed	An agreement between the Bank and PCL dated on or about 23 February 2006 whereby certain payment obligations of the Bank and PCL can be netted off against each other
Non Eligible PERLS Holder	Any PERLS Holder who does not satisfy the definition of an Eligible PERLS Holder (e.g. because the holder bought PERLS after the record date or because they do not have a registered Australian address)
Offer	The invitation by PCL to apply for PERLS III under this Prospectus including the Reinvestment Offer, the Securityholder Offer, the General Offer, offer to institutional investors and the Broker Firm Offer
Offer Period	The period commencing on the Opening Date and ending on the closing date
Opening Date	The first day on which Applications will be accepted, which is expected to be 3 March 2006 (and which will be after the end of the Exposure Period)
Ordinary Resolution	Has the meaning given to that term in the Corporations Act
Original Prospectus	The prospectus relating to the Offer lodged with ASIC on 23 February 2006, which this Prospectus replaces
Participating Organisation	Has the meaning given to that term in the Business Rules of ASX
PCL	Preferred Capital Limited (ABN 68 101 938 176)
PCL Ordinary Share	A fully paid ordinary share in the capital of PCL
PCL Ordinary Shareholder	A registered holder of a PCL Ordinary Share

PERLS	Preferred Exchangeable Resettable Listed Shares issued by the Bank under the prospectus of the Bank dated 26 February 2001
PERLS Holder	A person registered as the holder of a PERLS
PERLS II	Perpetual Exchangeable Resettable Listed Securities issued by CMIL in its capacity as trustee of the PERLS II Trust under the product disclosure statement dated 2 December 2003
PERLS II Convertible Notes	The convertible notes issued under the PERLS II Convertible Note Deed between CBA NZ and CMIL in its capacity as trustee of the PERLS II Trust
PERLS II Holder	A person registered as the holder of PERLS II
PERLS II Securities	PERLS II Convertible Notes and any preference shares or alternative securities in the Bank (other than Bank Ordinary Shares) issued on conversion of the PERLS II Convertible Notes
PERLS III	Perpetual Exchangeable Repurchaseable Listed Shares having the rights, powers and privileges set out in the PERLS III Terms of Issue
PERLS III Holder	A person registered as the holder of PERLS III
PERLS III Terms of Issue	The terms and conditions upon which PERLS III are issued as set out in full in Appendix A
Prospectus	This replacement prospectus for the offer of PERLS III including the PERLS III Terms of Issue
Registry	Link Market Services Limited (ABN 58 083 214 537)
Regulatory Event	If any of the following occurs: <ul style="list-style-type: none"> • receipt by the Bank of advice from a reputable legal counsel that, as a result of any change or proposed change in any law or regulation of Australia or any change in judicial interpretation of any such laws or regulations, additional requirements are imposed on the Bank or PCL in relation to the PERLS III or Convertible Notes or Bank PERLS III Preference Shares, which the Bank determines, in its absolute discretion, to be unacceptable; or • a determination by the Bank that there is a risk that the Bank is not or will not be entitled to treat all of the PERLS III or Bank PERLS III Preference Shares as Tier 1 Capital under APRA guidelines.
Reinvestment Offer	The invitation made by PCL under this Prospectus under which Eligible PERLS Holders can apply for PERLS III using the Reinvestment Application Form (other than where submitted through the Broker Firm Offer) and otherwise on the terms set out in this Prospectus
Reinvestment Application Form	The yellow personalised application form for the Reinvestment Offer and application to reinvest PERLS redemption proceeds in PERLS III under the Broker Firm Offer
Risk Based Capital Ratio	At any time means the ratio so described by APRA
Securityholder Offer	The invitation made by PCL pursuant to this Prospectus under which Eligible Securityholders may apply for PERLS III on the terms set out in this Prospectus
Services Deed	The agreement between the Bank, PCL and Securitisation Advisory Services Pty Limited dated on or about 23 February 2006 for provision of services to PCL
Short Dated Preference Shares	The Bank short dated preference shares described in Section 10.13
Special Resolution	Has the same meaning as in the Corporations Act
SRN	Securityholder Reference Number
Standard & Poor's	Standard & Poor's (Australia) Pty Ltd (ABN 62 007 324 852)
Step-up Date	6 April 2016

Step-up Margin	The Initial Margin plus 1.00%
Structuring Adviser	CommSec, Deutsche Bank and UBS
Successful Applicant	An applicant whose Application is accepted by PCL, whether in part or in full
Tax Event	<p>The receipt by the Bank of an opinion from a reputable legal counsel or other tax adviser, experienced in such matters, that there is a material risk that:</p> <ul style="list-style-type: none"> • the Bank would be exposed to more than a de minimus increase in its costs including grossing-up for withholding tax in relation to the Convertible Notes but excluding non-deductibility of any interest payments on the Convertible Notes; or • there would be more than a de minimus increase in the taxes, duties or government charges imposed on PCL in respect of the PERLS III; or • any payment in relation to PERLS III would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act or PERLS III Holders would not be entitled to franking credits in respect of PERLS III, other than where the PERLS III Holders' lack of entitlement to franking credits in respect of PERLS III is a result of the actions of the PERLS III Holder; or • the deduction to the Bank for New Zealand tax purposes on the interest payments on the Convertible Notes is not at least equal to the lesser of the interest payments and the corresponding cash dividends paid on PERLS III.
TFN	Tax File Number
Tax Rate	The Australian corporate tax rate applicable at the relevant Dividend Payment Date, expressed as a decimal, and which for the period to the first Dividend Payment Date will be taken to be 0.30
Tier 1 Capital	At any time any equity, debt or other capital so described by APRA
Tier 1 Capital Ratio	At any time the ratio so described by APRA
Top-up Deed	An agreement between the Bank and PCL dated on or about 23 February 2006 whereby the Bank may, at its absolute discretion, provide extra funds to PCL if there are insufficient distributable funds to pay a Dividend as at a Dividend Payment Date
Top-up Payment	The provision by the Bank of extra funds to PCL under the Top-up Deed
Trust Preferred Funding Securities	Convertible notes issued by the Bank to CBA Funding Trust 1 in relation to the Trust Preferred Securities and any preference shares in the Bank issued on exchange of the convertible notes or Trust Preferred Securities
Trust Preferred Securities	Trust Originated Preferred Reset Securities issued by CBA Capital Trust I pursuant to an offering memorandum dated 30 July 2003
UBS	UBS AG, Australia Branch (ABN 47 088 129 613)
US Person	Has the meaning found in Regulation S of the US Securities Act
US Investment Company Act	The US Investment Company Act of 1940
US Securities Act	The US Securities Act of 1933
VWAP	The average of the daily volume weighted average prices of Bank Ordinary Shares traded on the ASX during the relevant period or on the relevant days subject to any adjustments made under clauses 7.3 and 7.4 of the PERLS III Terms of Issue, but does not include any transaction defined as "special" in the ASX Business Rules, crossings prior to the commencement of normal trading, crossings during the after hours adjust phase nor any overseas trades or the exercise of options

Financial Services Guide

Financial Services Guide

Financial Services Guide of Commonwealth Securities Limited ABN 60 067 254 399 (Australian Financial Services Licence Number 238814) (CommSec) in relation to the offer of Perpetual Exchangeable Repurchaseable Listed Shares (PERLS III) in Preferred Capital Limited. CommSec is liable and responsible for the contents of the Financial Services Guide. Preferred Capital Limited is responsible under the Corporations Act for this Prospectus.

Financial Services Guide

What are the purposes of this Financial Services Guide (FSG)?

This FSG is an important document. It provides information about CommSec and the role and remuneration of CommSec and its representatives in the context of the offer of PERLS III, so that you may take these into account when you make your decision whether or not to participate in the offer of PERLS III which involves the provision of financial services by CommSec. This FSG also provides information about what to do if you have a complaint against CommSec.

Who is CommSec for the offer of PERLS III?

CommSec is a wholly-owned but not guaranteed subsidiary of Commonwealth Bank of Australia (ABN 48 123 123 124) (the Bank). Other companies related to CommSec are involved in the offer of PERLS III to investors. CommSec is a Participant of Australia Stock Exchange Limited (ABN 98 008 624 691).

What financial services and products do we offer?

CommSec is authorised to offer the following financial services:

- Deal in financial products
- Provide financial products advice*
- Make a market in financial products
- Provide a custodial/depository service

We provide financial product advice* and deal in:

- Deposits
- Securities (such as shares)
- Derivatives (such as options)
- Managed investments
- Retirement products, including superannuation and retirement savings accounts

*The provision of financial product advice is provided through a premium relationship managed service and eligibility criteria must be met. Details regarding this criteria can be obtained by contacting 1300 88 99 22.

- Life insurance
- General insurance
- Foreign exchange contracts
- Debentures, stocks and bonds

We make a market in:

- Securities
- Derivatives

We provide a custodial service in providing safekeeping of securities for clients.

What financial services will CommSec provide in relation to the offer of PERLS III?

Preferred Capital Limited as the proposed issuer of the PERLS III has entered into an intermediary authorisation (under paragraph 911A(2)(b) of the Corporations Act) under which CommSec may make offers on its behalf to investors to arrange for the issue of PERLS III.

What is the relationship between CommSec and Preferred Capital Limited?

Preferred Capital Limited is a special purpose company, the ordinary share of which is held by the Bank. Preferred Capital Limited and CommSec are consolidated within the Bank group of companies.

How is CommSec remunerated for the services it provides?

As Structuring Adviser and joint lead manager in respect of the offer of PERLS III, CommSec will receive fees as set out in section 10.12 of this Prospectus.

How are CommSec's representatives remunerated?

CommSec's representatives are remunerated by salary from CommSec or the Bank and do not directly receive any commissions or fees. They may be eligible for an annual bonus payment which is discretionary, and based on achievement of predetermined business objectives. These may include business outcomes, customer service, people engagement, special tasks and people principles.

CommSec's representatives may also be eligible to share in incentives (both monetary and non-monetary) rewarded for outstanding service; receive a free grant of Commonwealth Bank shares under the Commonwealth Bank's Employee Share Acquisition Plan (ESAP); or participate in the Commonwealth Bank's long term incentive program. This incentive is in the form of Bank shares that only vest at a prescribed point in the future where the Bank attains certain share performance hurdles. It is entirely discretionary and is based on a representative's contribution to the business over time.

How can I contact CommSec?

To participate in the offer PERLS III you can contact CommSec or your broker. You will need to complete, sign and send the application form in accordance with the instructions. Your broker can arrange for the lodgement of your application and this will be processed by the registry not CommSec.

In the event you require CommSec's contact details, they are

- Telephone 131 519; or
- Visit: www.commsec.com.au; or
- Write to CommSec at:
 - Locked Bag 22
 - Australia Square NSW 1215

How is my personal information dealt with?

CommSec may collect your personal information to ensure that we are able to provide you with the products and services most appropriate to your needs.

CommSec has adopted the principles set out in the Privacy Act as part of our continuing commitment to client service and maintenance of client confidentiality. For further details, please refer to our Privacy Policy at www.commsec.com.au or contact 131 519 for a copy.

What should I do if I have a complaint?

If you are not satisfied with the service you receive from CommSec, you are entitled to complain. CommSec has established procedures to ensure that all enquiries and complaints are properly considered and dealt with. To save yourself valuable time, gather all the facts and documents about the complaint, think about the questions you want answered and decide what you want CommSec to do. Next, contact the department that handled the matter and explain the problem. A quick call is all that is required to resolve most issues.

If at this stage your complaint hasn't been resolved to your satisfaction, please contact CommSec's Client Relations team:

Mail Client Relations
 Locked Bag 22
 Australia Square NSW 1215

Email CSLClientRel@cba.com.au

Facsimile (02) 9312 4102

If you are not satisfied with CommSec's response and wish to proceed further, you may refer the matter to an independent complaint handling body. CommSec is a member of the Financial Industry Complaints Service Limited ('FICS'), a body recognised by the Australian Securities and Investment Commission.

For further information please contact FICS at:

Mail PO Box 579
 Collins Street
 West Melbourne VIC 8007

Telephone 1300 780 808

Facsimile (03) 9621 2291

Email fics@fics.asn.au

Internet www.fics.asn.au

This FSG is dated 3 March 2006.

Application Forms

Declarations

By returning this Application Form I/we:

- declare that, by lodging this Application Form, I/we represent and warrant that I/we have personally received and read in full and understood the Prospectus (including an electronic version of the Prospectus) and agree to be bound by the constitution of Preferred Capital Limited, the Terms of Issue of PERLS III and the Terms and Conditions of the Offer (including the representations, warranties and agreements contained in the Prospectus and this Application Form)
- acknowledge that I/we understand that Commonwealth Bank of Australia and its subsidiaries do not guarantee or in any way stand behind the performance of Preferred Capital Limited
- am/are over 18 years of age and have full legal capacity and power to perform all my/our rights and obligations under this Application
- acknowledge that the information contained in the Prospectus (and any supplementary and replacement prospectus) and this Application Form is not investment advice or a recommendation that PERLS III are suitable for me/us, given my/our investment objectives, financial situation or particular needs
- declare that I/we have a registered Australian address
- represent and warrant that:
 - I am / we are not in the United States, I am / we are not a US Person, I am / we are not acting for the account or benefit of a US Person or within the United States and I / we will not offer, sell or resell PERLS III in the United States or to, or for the account or benefit of, any US Person
 - the law of any other place does not prohibit me/us from being given the Prospectus and any replacement or supplementary prospectus or making an Application on this Application Form
- apply for the number of PERLS III set out on or determined in accordance with this Application Form and agree to be issued such number of PERLS III or a lesser number
- represent and warrant that all details and statements in the Application Form are complete and accurate
- acknowledge and declare that i/we authorise you to use and disclose my/our personal information in the manner set out in section 11.11 entitled "Respecting Your Personal Information" in the Prospectus
- agree upon exchange of my/our PERL III for Bank Ordinary Shares or Bank PERLS III Preference Shares, to become a member of Commonwealth Bank of Australia and to be bound by its constitution.

CBA and PERLS II Securityholder Offer

- By ticking the Eligible Securityholder box and providing my/our CBA or PCB Securityholder number, I/we declare that I/we am/are the current registered holder(s) of Commonwealth Bank ordinary shares or PERLS II Trust securities.

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

- A** Insert the number of PERLS III you wish to apply for. The Application must be for a minimum of 25 PERLS III and thereafter in multiples of 5 PERLS III. You may be issued all of the PERLS III applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of PERLS III applied for by the Issue Price. Amounts should be in Australian dollars. Please make sure the amount of your cheque(s) and/or money order(s) equals this amount.
- C** Write the full name you wish to appear on the holding statement. This must be either your own name or the name of a company. Up to three joint applicants may register. You should refer to the table below for the correct registrable title.
- D** Please enter your postal address for all correspondence. All communications to you from PCL and the Registry will be mailed to the person(s) and address as shown. For joint applicants only one address can be entered.
- E** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- F** If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here.
- G** Please complete cheque and/or money order details and make it payable to "PERLS III Offer" as follows:
 - Make your cheque(s) and/or money order(s) payable to "PERLS III Offer" in Australian currency and cross it "Not Negotiable". Your cheque(s) and/or money order(s) must be drawn on an Australian Bank.
 - The amount should agree with the amount shown in Section B.
 - 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 cheque(s) and/or money order(s) to the Application Form where indicated.

Once you become a PERLS III Holder, Chapter 2C of the *Corporations Act 2001* requires information about you (including your name, address and details of the PERLS III you hold) to be included in the PCL public register. This information must continue to be included in PCL's public register if you cease to be a PERLS III Holder. These statutory obligations are not altered by the *Privacy Amendment (Private Sector) Act 2000*. Information is collected to administer your security holding and if some or all of the information is not collected then it might not be possible to administer your security holding. The privacy policy of the Commonwealth Bank of Australia and its subsidiaries is available on the Bank's website (www.commbank.com.au).

The Registry's privacy policy is available on its website (www.linkmarketservices.com.au).

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold shares. Applications must be in the name(s) of natural persons or companies. 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 below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

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- acknowledge that I/we understand that Commonwealth Bank of Australia and its subsidiaries do not guarantee or in any way stand behind the performance of Preferred Capital Limited
- am/are over 18 years of age and have full legal capacity and power to perform all my/our rights and obligations under this Application
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- declare that I/we have a registered Australian address
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 - the law of any other place does not prohibit me/us from being given the Prospectus and any replacement or supplementary prospectus or making an Application on this Application Form
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- F** If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here.
- G** Please complete cheque and/or money order details and make it payable to "PERLS III Offer" as follows:
 - Make your cheque(s) and/or money order(s) payable to "PERLS III Offer" in Australian currency and cross it "Not Negotiable". Your cheque(s) and/or money order(s) must be drawn on an Australian Bank.
 - The amount should agree with the amount shown in Section B.
 - 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 cheque(s) and/or money order(s) to the Application Form where indicated.

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Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

Corporate Directory

Registered Head Office of the Issuer

Level 7, 48 Martin Place
Sydney NSW 1155

Registered Head Office of the Bank

Level 7, 48 Martin Place
Sydney NSW 1155

Structuring Advisers, Joint Lead Managers and Joint Bookrunners

Commonwealth Securities Limited
Level 18
363 George Street
Sydney NSW 2000

Deutsche Bank AG
Level 16, Deutsche Bank Place
Corner Hunter and Phillip Streets
Sydney NSW 2000

UBS AG, Australia Branch
Level 25, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Joint Lead Managers and Joint Bookrunners

Citigroup Global Markets Australia Pty Limited
2 Park Street
Sydney NSW 2000

Macquarie Equity Capital Markets Limited
Level 23, 101 Collins Street
Melbourne VIC 3000

Co-Managers

ABN AMRO Morgans Limited
Level 29, Riverside Centre
123 Eagle St.
Brisbane, QLD 4000

ANZ Securities Limited
Level 12, 530 Collins St.
Melbourne, VIC 3000

Bell Potter Securities Limited
Level 33, Grosvenor Place
225 George St.
Sydney, NSW 2000

Ord Minnett Limited
Level 8, NAB House
255 George St.
Sydney, NSW 2000

Wilson HTM Ltd.
Level 38, Riparian Plaza
71 Eagle St.
Brisbane, QLD 4000

Legal Adviser

Freehills
MLC Centre
19–29 Martin Place
Sydney NSW 2000

Tax Adviser

Greenwoods & Freehills Pty Limited
MLC Centre
19–29 Martin Place
Sydney NSW 2000

Share Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

