

ASX ANNOUNCEMENT

CommonwealthBank



COMMONWEALTH BANK LAUNCHES COMMBANK PERLS IX CAPITAL NOTES OFFER

Expected Margin of between 3.90% and 4.10% above bank bill rate

NOT FOR DISTRIBUTION IN THE UNITED STATES

Sydney, 20 February 2017: Commonwealth Bank of Australia (the “Group”) today announced the offer, and lodged a Prospectus, for a new Tier 1 hybrid, CommBank PERLS IX Capital Notes (“PERLS IX”) (“Offer”).

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

PERLS IX are subordinated, unsecured notes¹, scheduled² to pay quarterly, floating rate distributions which are expected to be fully franked. PERLS IX have a call date in March 2022 and will mandatorily exchange into CBA ordinary shares in March 2024. PERLS IX have an initial face value of A\$100.

The net proceeds of the Offer will be used to fund the Group’s business. Certain holders of Colonial Group Subordinated Notes who participate in the Securityholder Offer will receive priority allocation to other securityholders in relation to the proceeds of their Colonial Group Subordinated Notes being invested in PERLS IX. Additional information relevant to Colonial Group Subordinated Noteholders is contained in the separate Colonial Group Subordinated Notes Information Booklet.

Commonwealth Bank of Australia and Morgan Stanley Australia Securities Limited are the Arrangers and Joint Lead Managers to the Offer. Evans and Partners Pty Limited; J.P.Morgan Australia Limited; Morgans Financial Limited; National Australia Bank Limited; and Westpac Institutional Bank have also been appointed as Joint Lead Managers to the Offer. Bell Potter Securities Limited; Ord Minnett Limited; and Shaw and Partners Limited have been appointed as Co-Managers to the Offer.

¹ Investments in PERLS IX are an investment in the Group and may be affected by the ongoing performance, financial position and solvency of the Group. They are not deposit liabilities or protected accounts of the Group under the Banking Act 1959 (Cth) and are not guaranteed or insured by any Australian government, government agency or compensation scheme

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

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

DETAILS OF THE OFFER

The Offer will comprise:

- a Broker Firm Offer made to retail investors who are clients of a Syndicate Broker and certain institutional investors; and
- a Securityholder Offer made to Eligible Securityholders³ of Ordinary Shares, PERLS VI, PERLS VII, PERLS VIII, or Colonial Group Subordinated Notes as at 9 February 2017.

Eligible holders of Colonial Group Subordinated Notes who participate in the Securityholder Offer will receive priority allocation to other securityholders in relation to the proceeds of their Colonial Group Subordinated Notes being invested in PERLS IX.

Investors should read and consider the Prospectus in full and obtain professional advice before deciding whether to invest in PERLS IX and consider the risks that could affect the performance of PERLS IX. If you are a Colonial Group Subordinated Noteholder, there is additional information for you in the separate Colonial Group Subordinated Notes Information Booklet (which is incorporated by reference in the Prospectus). Applications for PERLS IX under the Offer can only be made by completing the application form attached to, or accompanying, the Prospectus or the online Application Form at www.commsec.com.au. A replacement Prospectus containing the Margin will be available when the Offer opens. This announcement is not investment advice and has not taken into account your investment objectives, financial situation or particular needs (including financial and taxation issues).

KEY FEATURES OF PERLS IX

Distributions	<ul style="list-style-type: none">• Distributions are scheduled to be paid quarterly in arrears. The first Distribution is scheduled to be paid on 15 June 2017⁴• The Distribution Rate is the Market Rate plus the Margin, multiplied by $(1 - \text{Tax Rate})^5$• Expected Margin between 3.90% and 4.10%, which will be determined through the bookbuild• Distributions are expected to be fully franked⁶
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³ Eligible Securityholders must have a registered address in Australia, or have a registered address outside Australia and satisfy the conditions outlined in "Restrictions on foreign jurisdictions" on the inside front cover of the Prospectus

⁴ Distributions are scheduled to be paid quarterly on 15 March, 15 June, 15 September and 15 December. If any of these dates is not a Business Day, then the payment is scheduled to be made on the next Business Day. If a payment is postponed, there is no adjustment to the amount of the Distribution payable

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

⁶ Distributions may be unfranked or not fully franked. If a Distribution is unfranked or not fully franked, the cash Distribution will be calculated according to a different formula to compensate Holders. Holders should be aware that

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Term	<ul style="list-style-type: none"> Perpetual. However, the Group must Exchange PERLS IX on the Mandatory Exchange Date (subject to the Maximum Exchange Number and Mandatory Exchange Conditions) and may, at CBA's option, Redeem PERLS IX on the Call Date, or may Exchange or Redeem PERLS IX earlier on the occurrence of certain events (subject to APRA approval) Holders do not have a right to request that their PERLS IX be Redeemed or Exchanged early. To realise their investment, Holders can sell their PERLS IX on ASX at the prevailing market price
Mandatory Exchange Date	<ul style="list-style-type: none"> 31 March 2024, or if the Mandatory Exchange Conditions are not satisfied on that date, the first Distribution Payment Date after that date on which the Mandatory Exchange Conditions are satisfied On the Mandatory Exchange Date, Holders will receive for each PERLS IX a variable number of Ordinary Shares with a value equal to A\$101.01⁷. This is subject to the Maximum Exchange Number and Mandatory Exchange Conditions
Early Exchange	<ul style="list-style-type: none"> The Group must Exchange all, some or a proportion of all PERLS IX if: <ul style="list-style-type: none"> a Capital Trigger Event or Non-Viability Trigger Event occurs The Group must Exchange all (but not some) PERLS IX if: <ul style="list-style-type: none"> a Change of Control Event occurs
Call Date	<ul style="list-style-type: none"> The Group may in its absolute discretion Redeem, or elect that Resale occur in relation to, all or some PERLS IX on 31 March 2022. This is the only date on which CBA may act in this way and is subject to prior written approval from APRA⁸
Early Redemption	<ul style="list-style-type: none"> The Group may redeem PERLS IX for certain tax or regulatory reasons
Risks	<ul style="list-style-type: none"> PERLS IX are subject to risks associated with PERLS IX specifically and risks associated with the Group's businesses which may affect PERLS IX. These are set out in the Prospectus

the ability of a holder to use franking credits will depend on their individual position and that the potential value of franking credits does not accrue at the same time as the cash Distribution is received

⁷ The number of Ordinary Shares is based on the Face Value (initially A\$100) and the VWAP of Ordinary Shares during the 20 Business Days before the Mandatory Exchange Date with the benefit of a 1% discount. This may differ from the Ordinary Share price on or after Exchange, and therefore the value of Ordinary Shares received on Exchange of each PERLS IX may be more or less than A\$101.01

⁸ Approval is at the discretion of APRA and may or may not be given

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KEY DATES FOR THE OFFER⁹

Securityholder Offer Record Date	9 February 2017
Lodgement of Prospectus with ASIC	20 February 2017
Bookbuild	27 February 2017
Announcement of Margin	28 February 2017
Opening Date for the Offer and lodgement of the replacement Prospectus with ASIC	28 February 2017
Closing Date for the Offer	5.00pm (Sydney time) 24 March 2017
Issue Date	31 March 2017
Commencement of deferred settlement trading	3 April 2017
Despatch of Holding Statements	4 April 2017
Commencement of trading on normal settlement basis	5 April 2017

KEY DATES FOR ELIGIBLE COLONIAL GROUP SUBORDINATED NOTEHOLDERS⁹

Priority Securityholder Offer Record Date	9 February 2017
Lodgement of the CommBank PERLS IX Capital Notes Prospectus and Colonial Group Subordinated Notes Priority Securityholder Offer Information Booklet with ASIC	20 February 2017
Lodgement of the CommBank PERLS IX Replacement Prospectus and Opening Date for the PERLS IX Priority Securityholder Offer	28 February 2017
Last day of ASX trading for Colonial Group Subordinated Notes	21 March 2017
Record date for final distribution on Colonial Group Subordinated Notes (both participating and not participating in the Priority Securityholder Offer)	23 March 2017

⁹ The key dates for the Offer are indicative only and subject to change without notice. CBA may, in consultation with the Joint Lead Managers, vary the timetable, including to close the Offer early; close the Securityholder Offer early; extend the Closing Date; accept late Applications, either generally or in specific cases; or withdraw or vary the terms of the Offer, including by increasing the Margin, at any time prior to Issue. If any of the dates are changed, subsequent dates may also change. You are encouraged to lodge your Application as soon as possible after the Opening Date

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Closing Date for the Priority Securityholder Offer	5.00pm (Sydney time) 24 March 2017
Purchase Date	31 March 2017
Issue Date – when CommBank PERLS IX Capital Notes are Issued under the Priority Securityholder Offer	31 March 2017
Payment date for final distribution on Colonial Group Subordinated Notes	31 March 2017
Redemption date for Colonial Group Subordinated Notes which did not participate in the Priority Securityholder Offer	31 March 2017

ADDITIONAL INFORMATION

Potential investors can obtain a copy of the Prospectus and Information Booklet by:

- calling the PERLS IX Information Line on 1800 095 654 (Monday to Friday 8.00am - 7.30pm, Sydney time);
- contacting their broker or adviser; or
- downloading a copy, available online at www.commsec.com.au.

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

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