



# ASX announcement

## Commonwealth Bank Launches CommBank PERLS XI Capital Notes Offer

**Expected Margin of between 3.70% and 3.90% above bank bill swap reference rate**

**NOT FOR DISTRIBUTION IN THE UNITED STATES**

**Thursday, 1 November 2018 (Sydney):** Commonwealth Bank of Australia (CBA) today announced the offer of, and lodged a prospectus (“**Prospectus**”) for, a new Tier 1 hybrid, CommBank PERLS XI Capital Notes (“**PERLS XI**”) (“**Offer**”). The Offer includes a Reinvestment Offer for Eligible PERLS VI Holders.

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

PERLS XI are subordinated, unsecured notes<sup>1</sup> scheduled<sup>2</sup> to pay floating rate distributions quarterly, which are expected to be fully franked. PERLS XI have a Call Date of 26 April 2024 and will mandatorily Exchange into Ordinary Shares on 26 April 2026 (subject to certain conditions). PERLS XI have an Initial Face Value of A\$100.

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

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

Bell Potter Securities Limited, Crestone Wealth Management, Macquarie Equities Limited, Evans Dixon Corporate, a division of Evans and Partners Pty Limited and Ord Minnett Limited have been appointed as Co-Managers to the Offer.

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

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

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



## 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;
- a Reinvestment Offer made to Eligible PERLS VI Holders on the Reinvestment Offer Record Date (25 October 2018); and
- a Securityholder Offer made to Eligible Securityholders<sup>3</sup> of Ordinary Shares, PERLS VI, PERLS VII, PERLS VIII, PERLS IX or PERLS X as at 25 October 2018.

There is no customer or general offer for PERLS XI.

Distributions	<ul style="list-style-type: none"> <li>• Distributions are scheduled to be paid quarterly in arrears. The first Distribution is scheduled to be paid on 15 March 2019<sup>4</sup></li> <li>• The Distribution Rate is the Market Rate plus the Margin, multiplied by <math>(1 - \text{Tax Rate})^5</math></li> <li>• The Margin is expected to be between 3.70% and 3.90%, and will be determined through the Bookbuild</li> <li>• Distributions are expected to be fully franked<sup>6</sup></li> </ul>
Term	<ul style="list-style-type: none"> <li>• Perpetual. However, CBA must Exchange PERLS XI into Ordinary Shares on the Mandatory Exchange Date (subject to the Maximum Exchange Number and Mandatory Exchange Conditions) and may, at CBA's option, Redeem PERLS XI on the Call Date (subject to APRA approval),<sup>7</sup> or may Exchange or Redeem PERLS XI earlier on the occurrence of certain events</li> <li>• Holders do not have a right to request that their PERLS XI be Redeemed or Exchanged early for any reason. To realise their investment, Holders can sell their PERLS XI on ASX at the prevailing market price<sup>8</sup></li> </ul>
Mandatory Exchange Date	<ul style="list-style-type: none"> <li>• 26 April 2026, 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</li> <li>• On the Mandatory Exchange Date, Holders will receive for each PERLS XI a variable number of Ordinary Shares with a value approximately equal to A\$101.01<sup>9</sup>. This is subject to the Maximum Exchange Number and Mandatory Exchange Conditions</li> </ul>
Early Exchange	<ul style="list-style-type: none"> <li>• CBA must Exchange all, some or a proportion of PERLS XI if a Capital Trigger Event or Non-Viability Trigger Event occurs</li> </ul>

<sup>3</sup> Eligible Securityholders must have a registered address in Australia.

<sup>4</sup> 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.

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

<sup>6</sup> Distributions may be unfranked or not fully franked. If a Distribution is unfranked or not fully franked, the cash Distribution will be grossed-up according to a formula under the Terms. Holders should be aware that the ability of a Holder to use franking credits will depend on their individual position and that the potential value of franking credits does not accrue at the same time as the cash Distribution is received.

<sup>7</sup> Approval is at the discretion of APRA and may or may not be given.

<sup>8</sup> PERLS XI may be trading at a market price below the Face Value and/or the market for PERLS XI may not be liquid. For further information about liquidity risks associated with PERLS XI, see Section 5.2.12 of the Prospectus.

<sup>9</sup> The number of Ordinary Shares is based on the Face Value (initially A\$100) and the VWAP of Ordinary Shares during the 20 Business Days before the Mandatory Exchange Date with the benefit of a 1% discount. This may differ from the price of Ordinary Shares on or after Exchange, and therefore the value of Ordinary Shares received on Exchange of each PERLS XI may be more or less than A\$101.01 (based on Initial Face Value of A\$100).

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	<ul style="list-style-type: none"> <li>• CBA must Exchange all (but not some) of PERLS XI if a Change of Control Event occurs</li> </ul>
Call Date	<ul style="list-style-type: none"> <li>• CBA may, in its absolute discretion, Redeem, or elect that Resale occur in relation to, all or some PERLS XI on 26 April 2024. Redemption is subject to prior written approval from APRA<sup>10</sup></li> </ul>
Early Redemption	<ul style="list-style-type: none"> <li>• CBA may redeem PERLS XI for certain tax or regulatory reasons</li> </ul>
Risks	<ul style="list-style-type: none"> <li>• PERLS XI are subject to risks associated with PERLS XI specifically and risks associated with CBA's businesses which may affect PERLS XI. These are set out in the Prospectus</li> </ul>

Investors should read and consider the Prospectus in full and obtain professional advice before deciding whether to invest in PERLS XI and consider the risks that could affect the performance of PERLS XI. A replacement Prospectus containing the Margin will be available when the Offer opens. The information provided in this announcement is not investment advice and has not been prepared taking into account your investment objectives, financial situation or particular needs (including financial and taxation considerations). If you have any questions, you should seek advice from your financial or other professional advisor before deciding to invest in PERLS XI.

Applications for PERLS XI under the Offer can only be made by completing the Application Form that is attached to or accompanies the Prospectus, or the online Application Form at [www.commsec.com.au](http://www.commsec.com.au), following the opening of the Offer.

#### Reinvestment Offer for Eligible PERLS VI Holders

CBA has given notice that all PERLS VI will be Resold to the PERLS VI Purchaser on 17 December 2018. The Reinvestment Offer is an offer to Eligible PERLS VI Holders to apply to reinvest all or some of their PERLS VI in PERLS XI on the Reinvestment Date. PERLS VI Holders who elect to participate in the Reinvestment Offer will have their Resale Proceeds reinvested in PERLS XI.

#### Key Dates for the Offer<sup>11</sup>

Securityholder Offer Record Date including Reinvestment Offer Record Date	25 October 2018
Lodgement of Prospectus with ASIC	1 November 2018
Bookbuild	8 November 2018
Announcement of Margin	9 November 2018
Opening Date for the Offer and lodgement of the replacement Prospectus with ASIC	9 November 2018
Closing Date for the Reinvestment Offer	5.00pm (Sydney time) 5 December 2018
Closing Date for the Offer	5.00pm (Sydney time) 7 December 2018
Reinvestment Date and PERLS XI Issue Date	17 December 2018
Commencement of deferred settlement trading	18 December 2018

<sup>10</sup> Approval is at the discretion of APRA and may or may not be given.

<sup>11</sup> 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 or decreasing the Margin, at any time prior to Issue. If any of the dates are changed, subsequent dates may also change. You are encouraged to lodge your Application as soon as possible after the Opening Date.

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Despatch of Holding Statements	19 December 2018
Commencement of trading on normal settlement basis	20 December 2018

Potential investors can obtain a copy of the Prospectus by:

- calling the PERLS XI Information Line on 1800 132 009 (Monday to Friday 8.00am - 7.30pm, Sydney time);
- contacting their broker or adviser; or
- registering at [www.commsec.com.au](http://www.commsec.com.au), where a copy of the Prospectus is also available for downloading.

#### Important information

Investments in PERLS XI are an investment in CBA and may be affected by the ongoing performance, financial position and solvency of CBA. They are not deposit liabilities or protected accounts of CBA under the Banking Act 1959 (Cth) and are not guaranteed or insured by any Australian government, government agency or compensation scheme. The information provided in this announcement is not investment advice and has not been prepared taking into account your investment objectives, financial situation or particular needs (including financial and taxation considerations). If you have any questions, you should seek advice from your financial or other professional advisor before deciding to invest in PERLS XI.

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

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#### Contact Details

Zoe Viellaris  
Media Relations  
02 9118 6919  
[media@cba.com.au](mailto:media@cba.com.au)

Melanie Kirk  
Investor Relations  
02 9118 7113  
[CBAInvestorRelations@cba.com.au](mailto:CBAInvestorRelations@cba.com.au)