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Prospectus

CommBank PERLS XII Capital Notes

Issuer Commonwealth Bank of Australia ABN 48 123 123 124

Date of Prospectus: 9 October 2019

Arranger

Commonwealth Bank of Australia

Joint Lead Managers

Commonwealth Bank of Australia
ANZ Securities Limited
Morgan Stanley Australia Securities Limited
Morgans Financial Limited
National Australia Bank Limited
Ord Minnett Limited
UBS AG, Australia Branch
Westpac Institutional Bank

Co-Managers

Bell Potter Securities Limited
Crestone Wealth Management
Evans Dixon Corporate Advisory Pty Limited

Investments in CommBank PERLS XII Capital Notes 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).



Important Notices

Prospectus

This Prospectus relates to the offer by the Commonwealth Bank of Australia ABN 48 123 123 124 (“**CBA**”) of CommBank PERLS XII Capital Notes (“**PERLS XII**”) in Australia to raise A\$750 million, with the ability to raise more or less (“**Offer**”).

This Prospectus is dated 9 October 2019 and a copy was lodged with the Australian Securities and Investments Commission (“**ASIC**”) on this date. This Prospectus will expire 13 months after the date of this Prospectus and no PERLS XII will then be issued on the basis of this Prospectus.

ASIC and ASX Limited (“**ASX**”) take no responsibility for the contents of this Prospectus or for the merits of investing in PERLS XII.

This Prospectus does not provide information in relation to the credit ratings of CBA or PERLS XII as the companies which provide ratings in relation to CBA may only disclose this information to certain investors under the terms of their Australian Financial Services Licences.

Exposure Period

Under the Corporations Act 2001 (Cth) (“**Corporations Act**”), CBA must not process Applications in the seven day period after this Prospectus was lodged with ASIC (“**Exposure Period**”). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable market participants to examine the Prospectus prior to the raising of funds. No Applications received during the Exposure Period will be accepted until after it has expired.

Documents relevant to the Offer

In addition to this Prospectus, the following documents are relevant to the Offer and can be obtained from www.commsec.com.au during the Offer Period and from the Investor Centre at www.commbank.com.au/investors after the Issue Date:

- the full terms of PERLS XII (see Appendix A to this Prospectus);
- the Deed Poll (see Section 5.2 “Other documents relevant to the Offer”); and
- the Constitution (see Section 5.2 “Other documents relevant to the Offer”).

In addition to reading this Prospectus in full, it is important that you read these documents in full before deciding to invest in PERLS XII.

Status of PERLS XII

PERLS XII are subordinated¹, unsecured notes, issued by CBA.

Investments in PERLS XII are an investment in CBA and may be affected by the ongoing performance, financial position and solvency of CBA. Investments in PERLS XII are not deposit liabilities or protected accounts of CBA under the Banking Act and are not guaranteed or insured by any Australian government, government agency or compensation scheme.

Investments in securities such as PERLS XII are subject to risks which could affect their performance, including loss of investment and income. CBA does not guarantee the market price of PERLS XII or any particular rate of return.

Information about the risks of investing in PERLS XII is detailed in Section 4 “Risks of CommBank PERLS XII Capital Notes”.

No representations other than in this Prospectus

No person is authorised to provide any information or to make any representation in connection with the Offer that is not contained in this Prospectus, and you may not rely on any such information as having been authorised by CBA.

Past performance information

The financial information provided in this Prospectus is for information purposes only and is not a forecast of future performance. Past performance and trends should not be relied upon as being indicative of future performance and trends.

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 considerations). It is important that you read this Prospectus in full before deciding to invest in PERLS XII and consider the risks that could affect an investment in PERLS XII.

If you have any questions, you should seek advice from your financial or other professional adviser before deciding to invest in PERLS XII.

Obtaining a Prospectus and Application Form

Paper copies of this Prospectus and an Application Form can be obtained free of charge by registering online at www.commsec.com.au, or by calling the PERLS XII Information Line on 1800 992 547 (Monday to Friday 8.00am - 7.30pm, Sydney time) during the Offer Period.

This Prospectus can also be obtained electronically from www.commsec.com.au. If you access an electronic copy of this Prospectus, the following conditions apply:

- the Prospectus is available to residents of Australia accessing and downloading, or printing, the electronic Prospectus in Australia;
- you must access and download the electronic Prospectus in full; and
- your Application will only be valid where you have completed an Application Form that was attached to, or accompanying, the electronic Prospectus. **You may also apply by completing the online Application Form on www.commsec.com.au.**

By lodging an Application, you declare that you were given access to the electronic Prospectus together with the Application Form.

Restrictions on foreign jurisdictions

The distribution of this Prospectus and the Offer or sale of PERLS XII may be restricted by law in certain jurisdictions. Persons who receive this Prospectus outside Australia must inform themselves about and observe all such restrictions. Nothing in this Prospectus is to be construed as authorising its distribution or the Offer or sale of PERLS XII in any jurisdiction other than Australia and CBA does not accept any liability in that regard.

Furthermore, PERLS XII may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material may be distributed or published, in any jurisdiction except under circumstances that will result in compliance with any applicable laws or regulations.

Restrictions applying to US Persons are outlined in Section 5.5 “US Persons”.

Defined words and expressions

Capitalised words have specific meanings and are defined in Section 7 “Glossary”.

A reference to A\$ or Australian dollars 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 unless otherwise stated.

If you have any questions about PERLS XII or the Offer, you should seek advice from your financial or other professional adviser. You can also call the PERLS XII Information Line on 1800 992 547 (Monday to Friday 8.00am - 7.30pm, Sydney time) during the Offer Period. Applicants in the Broker Firm Offer may also call their Syndicate Broker.

¹ Holders of PERLS XII rank after holders of Senior Ranking Obligations, including creditors preferred by law and secured creditors. Your PERLS XII rank equivalently to a preference share. See Section 2.6 “How will CommBank PERLS XII Capital Notes rank in a winding up?”.

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ASIC guidance for retail investors

ASIC has published guidance on hybrid securities on its MoneySmart website which may be relevant to your consideration of PERLS XII. You can find this guidance by searching “hybrid securities” at www.moneysmart.gov.au.

The guidance includes a series of questions you should ask before you invest in hybrid securities, as well as a short quiz to check your understanding of how hybrids work, their features and risks.

Where can I learn more about investing in bank hybrid securities?

CBA has developed an interactive module on bank hybrid securities which may assist you to better understand bank hybrid securities, their features and risks. It explains the different ways you may invest in a bank, including by depositing money or investing in securities issued by a bank.

The module is available at www.commbank.com.au/about-us/shareholders/securities/bank-hybrid-securities-basics.html, and can be found by searching “hybrid securities basics” on www.commbank.com.au.

Where can I obtain further information about CBA and PERLS XII?

CBA is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. In addition, CBA must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about CBA that a reasonable person would expect to have a material effect on the price or value of its securities including PERLS XII.

Copies of documents lodged with ASIC can be obtained from, or inspected at, an ASIC office. Certain of these documents can also be obtained from www.asx.com.au together with CBA's other ASX announcements.

In addition, the following information can be obtained from the Investor Centre at www.commbank.com.au/investors:

- CBA's half-yearly and annual financial reports;
- continuous disclosure notices lodged with ASX; and
- other general information provided to investors.

Investments in PERLS XII 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.

Key dates for the Offer

Securityholder Offer Record Date	2 October 2019
Lodgement of Prospectus with ASIC	9 October 2019
Bookbuild	16 October 2019
Announcement of Margin	17 October 2019
Opening Date for the Offer and lodgement of the replacement prospectus with ASIC	17 October 2019
Closing Date for the Offer	8 November 2019
Issue Date	14 November 2019
Commencement of deferred settlement trading	15 November 2019
Despatch of Holding Statements	18 November 2019
Commencement of trading on normal settlement basis	19 November 2019

Key dates for CommBank PERLS XII Capital Notes

First Distribution Payment Date ¹	15 March 2020
Call Date	20 April 2027
Mandatory Exchange Date ²	20 April 2029

Note

- 1 Distributions are scheduled to be paid quarterly in arrears on the Distribution Payment Dates (15 March, 15 June, 15 September and 15 December each year). Distributions are discretionary and subject to the Distribution payment conditions being satisfied.
- 2 If the Mandatory Exchange Conditions are not satisfied on that date, then the Mandatory Exchange Date will be the first Distribution Payment Date after that date on which the Mandatory Exchange Conditions are satisfied.

Dates may change

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 Broker Firm Offer or Securityholder Offer early; extend the Closing Date; accept late Applications, either generally or in specific cases; or withdraw or vary the terms of the Offer 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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Section 1

Investment Overview

- 1.1 What are the basic facts about CBA and CommBank PERLS XII Capital Notes?
- 1.2 What are the key benefits and risks of CommBank PERLS XII Capital Notes?
- 1.3 What is the Offer and how do I apply?

The following is an overview of CBA and the key features, benefits and risks of investing in PERLS XII. Detailed information about each of these matters is provided in this Prospectus and it is important that you read this Prospectus in full before deciding to invest in PERLS XII. If you have any questions, you should seek advice from your financial or other professional adviser.

1.1 What are the basic facts about CBA and CommBank PERLS XII Capital Notes?

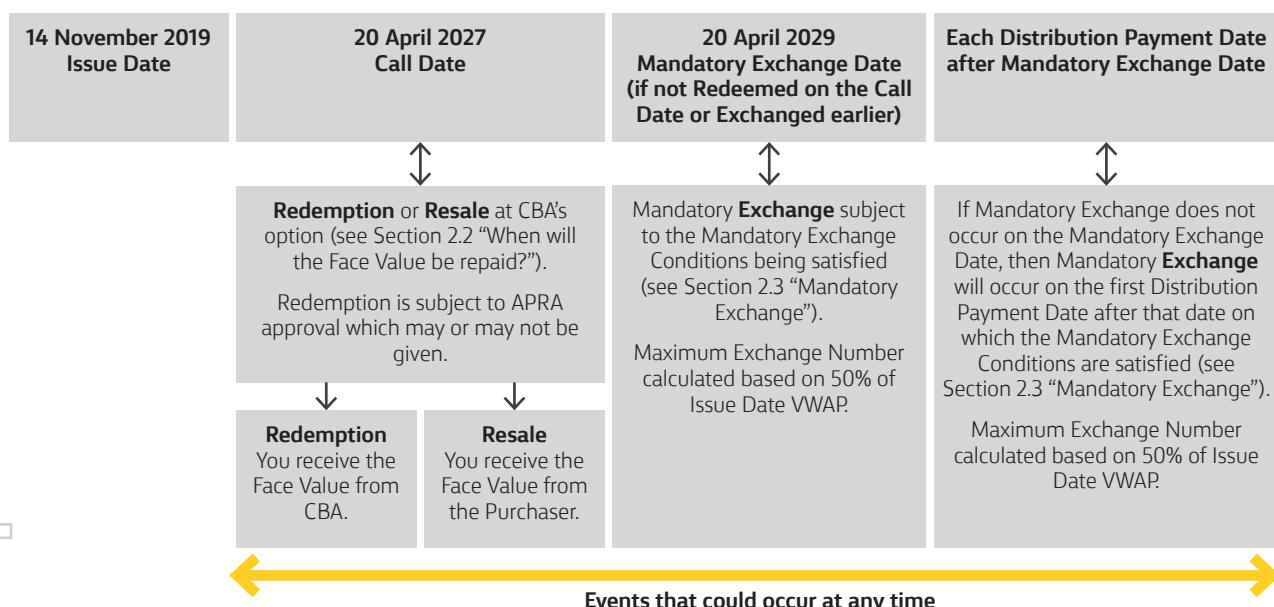
		Further information	Page
Issuer	Commonwealth Bank of Australia ABN 48 123 123 124 (“CBA”). CBA is one of Australia’s leading providers of financial services including retail, business and institutional banking and wealth management.	Section 3 “Information About CBA”	33
PERLS XII	CommBank PERLS XII Capital Notes, also referred to as PERLS XII, are subordinated, unsecured notes issued by CBA. The PERLS XII Terms are complex and include features to comply with the detailed regulatory capital requirements which the Australian Prudential Regulation Authority (“APRA”) applies to these securities.	Appendix A “Terms of CommBank PERLS XII Capital Notes”	81
Offer size	A\$750 million, with the ability to raise more or less.		
Use of proceeds	The Offer raises Tier 1 Capital to satisfy CBA’s regulatory capital requirements and maintain the diversity of CBA’s sources and types of funding. The net proceeds of the Offer will be used to fund CBA’s business.	Section 3.8 “Financial information about CBA”	37
Face Value	Initial Face Value is A\$100 per PERLS XII but may be reduced following a Capital Trigger Event or Non-Viability Trigger Event.	Appendix A “Terms of CommBank PERLS XII Capital Notes” Clauses 1.2, 4.1 and 4.2 and definition of Face Value	82, 85, 98
Term	PERLS XII are perpetual, which means they have no fixed maturity date and if not Exchanged or Redeemed could remain on issue indefinitely, in which case you would not receive your investment back. CBA must Exchange PERLS XII 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 or procure a Resale of PERLS XII on the Call Date, or Exchange or Redeem earlier on the occurrence of certain events (subject to APRA approval) ¹ .	Appendix A “Terms of CommBank PERLS XII Capital Notes” Clauses 3, 4, 5, 6 and 7	84, 85, 87, 89
Distributions	Each PERLS XII is scheduled to pay floating rate Distributions quarterly until that PERLS XII is Exchanged or Redeemed. The Distribution Rate is calculated using the following formula: Distribution Rate = (Market Rate + Margin) x (1 – Tax Rate) Distributions are expected to be fully franked. The first Distribution is scheduled to be paid on 15 March 2020.	Section 2.1.1 “How are Distributions calculated on PERLS XII?” Section 2.1.2 “How are Distributions paid on PERLS XII?” Appendix A “Terms of CommBank PERLS XII Capital Notes” Clause 2	16, 18, 82

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	Distributions are discretionary and subject to the Distribution payment conditions being satisfied. This means a Distribution may not be paid. Distributions that are not paid do not accrue and will not be subsequently paid. Non-payment of a Distribution on the relevant Distribution Payment Date will not be an event of default and CBA will have no liability to Holders in respect of the unpaid Distribution.	
	No Distribution will be paid on Exchange where Exchange occurs due to a Capital Trigger Event or a Non-Viability Trigger Event.	
Margin	The Margin is expected to be between 3.00% and 3.20% per annum and will be determined through the Bookbuild.	
ASX quotation	CBA will apply for quotation of PERLS XII on ASX. It is expected that PERLS XII will be quoted under code "CBAPI".	Section 6.3 "Issue and quotation of CommBank PERLS XII Capital Notes" 73

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

1.1.1 Summary of events that may affect PERLS XII

PERLS XII do not have a fixed maturity date but may be Exchanged into Ordinary Shares, Redeemed or Resold. The diagram and table below summarise when these events could occur. If none of these events occur, PERLS XII could remain on issue indefinitely and the Face Value will not be repaid to Holders.



Redemption at CBA's option for tax or regulatory reasons or if CBA is unable to frank Distributions (see Section 2.2 "When will the Face Value be repaid?").

Automatic **Exchange** if a Capital Trigger Event, Non-Viability Trigger Event or Change of Control Event occurs (see Section 2.4 "Automatic Exchange on a Capital Trigger Event or Non-Viability Trigger Event" and Section 2.5 "Automatic Exchange on a Change of Control Event"). Maximum Exchange Number calculated based on 20% of Issue Date VWAP.

Event	When could it occur?	Is APRA approval required? ¹	Do conditions apply?	What value will you receive?	How will that value be provided?	Further information
Optional early Redemption by CBA	20 April 2027	Yes	Yes ²	Face Value (A\$100 based on the Initial Face Value)	Cash	Section 2.2 Appendix A “Terms of CommBank PERLS XII Capital Notes” Clause 5.1
Early Redemption by CBA for tax or regulatory reasons	At any time if CBA is unable to frank Distributions, or for other tax or regulatory reasons	Yes	Yes ²	Face Value (A\$100 based on the Initial Face Value)	Cash	Section 2.2 Appendix A “Terms of CommBank PERLS XII Capital Notes” Clauses 5.2, 5.3 and 5.4
Optional Resale	20 April 2027	No	No	Face Value (A\$100 based on the Initial Face Value)	Cash ³	Section 2.2 Appendix A “Terms of CommBank PERLS XII Capital Notes” Clause 6
Mandatory Exchange	20 April 2029 (if the Mandatory Exchange Conditions are satisfied) or the first Distribution Payment Date after the date on which the Mandatory Exchange Conditions are satisfied	No	Yes ⁴	Approximately 1.01 x Face Value (A\$101 based on the Initial Face Value)	Variable number of Ordinary Shares, up to the Maximum Exchange Number	Section 2.3 Appendix A “Terms of CommBank PERLS XII Capital Notes” Clauses 3 and 7

Event	When could it occur?	Is APRA approval required? ¹	Do conditions apply?	What value will you receive?	How will that value be provided?	Further information
Automatic Exchange	At any time if a Capital Trigger Event or Non-Viability Trigger Event occurs	No	No	Depending on the price of Ordinary Shares at the time, Holders may receive significantly less than Face Value ⁵	Variable number of Ordinary Shares, up to the Maximum Exchange Number However, if Exchange of the PERLS XII fails to take effect for any reason and CBA has not otherwise issued the Ordinary Shares required to be issued in respect of such Exchange at the relevant time, Holders' rights under the relevant PERLS XII will be immediately and irrevocably terminated. This will result in a Holder's investment losing all of its value - the Face Value will not be repaid and they will not receive any compensation	Section 2.4 Appendix A "Terms of CommBank PERLS XII Capital Notes" Clauses 4.1, 4.2, 4.3, 4.5, 4.6 and 7
	If a Change of Control Event occurs	No	Yes ⁶	Approximately 1.01 x Face Value (A\$101 based on the Initial Face Value)	Variable number of Ordinary Shares, up to the Maximum Exchange Number	Section 2.5 Appendix A "Terms of CommBank PERLS XII Capital Notes" Clause 4.7

- 1 APRA's approval may or may not be given.
- 2 CBA may only Redeem PERLS XII if it replaces them with capital of the same or better quality or obtains confirmation that APRA is satisfied CBA does not need to replace PERLS XII.
- 3 On optional Resale, Holders will receive a cash payment from a third party who will purchase PERLS XII.
- 4 The Mandatory Exchange Conditions apply.
- 5 Holders are likely to receive significantly less than the Face Value if the Ordinary Share price is less than 20% of the Issue Date VWAP (determined by reference to CBA's Ordinary Share price at the time PERLS XII are issued).
- 6 The second and third Mandatory Exchange Conditions apply.

1.1.2 Ranking of PERLS XII in a winding up of CBA

Existing CBA obligations / securities ¹		
Higher ranking	Secured debt	<ul style="list-style-type: none"> Covered bonds
	Liabilities preferred by law	<ul style="list-style-type: none"> Liabilities in Australia in relation to protected accounts Other liabilities preferred by law including employee entitlements
	Senior Ranking Obligations	<ul style="list-style-type: none"> Deposits (other than protected accounts) Senior debt General unsubordinated unsecured creditors Tier 2 Capital
	Equal Ranking Securities	<ul style="list-style-type: none"> PERLS XII² PERLS XI, PERLS X, PERLS IX, PERLS VIII, PERLS VII² Any preference shares or other subordinated unsecured debts³
Lower ranking	Junior Ranking Securities	<ul style="list-style-type: none"> Ordinary Shares

1 This is a simplified capital structure of CBA and does not include every type of security issued or that could be issued in the future by CBA. CBA could raise more debt or guarantee additional amounts at any time.

2 Ranking prior to exchange to Ordinary Shares or write down.

3 Excluding Junior Ranking Securities.

1.1.3 Differences between PERLS XII and other types of investments in CBA

There are differences between savings accounts, term deposits, PERLS XI, PERLS XII and Ordinary Shares. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation considerations) before deciding to invest in PERLS XII.

	Savings account	Term deposit	PERLS XI	PERLS XII	Ordinary Shares
ASX code	Not quoted on ASX	Not quoted on ASX	CBAPH	CBAPI ³	CBA
Legal form	Deposit	Deposit	Unsecured subordinated debt obligations	Unsecured subordinated debt obligations	Ordinary share
Guarantee under the Australian government Financial Claims Scheme¹	Yes	Yes	No	No	No
Term	At call (usually)	One month to five years (usually)	Perpetual, CBA must Exchange for Ordinary Shares on 26 April 2026 if the mandatory exchange conditions are satisfied	Perpetual, CBA must Exchange for Ordinary Shares on 20 April 2029 if the Mandatory Exchange Conditions are satisfied	Perpetual (no maturity date)
Margin	N/A	N/A	3.70% per annum	3.00% to 3.20% per annum	N/A

	Savings account	Term deposit	PERLS XI	PERLS XII	Ordinary Shares
Interest/distribution/dividend rate	Variable (usually)	Fixed (usually)	Floating	Floating	Variable dividends are payable
Interest/distribution/dividend payment dates	Monthly (usually)	End of term or per annum (usually)	Quarterly	Quarterly	Semi-annually
Franking of interest/distribution/dividend	N/A	N/A	Yes	Yes	Yes
Interest/distribution/dividends at issuer's discretion	No	No	Yes	Yes	Yes
Impact on interest/distribution/dividend if interest/distribution/dividend not paid	No	N/A	Yes, applies to Ordinary Shares until next distribution payment date	Yes, applies to Ordinary Shares until next Distribution Payment Date	No
Transferable	N/A	No ²	Yes – quoted on ASX	Yes – quoted on ASX ³	Yes – quoted on ASX
Investor's ability to withdraw or redeem	Yes	Yes ²	No	No	No
Redemption at CBA's option (subject to APRA approval and certain other conditions)	No	No	Yes, on 26 April 2024 and in certain specified conditions	Yes, on 20 April 2027 and in certain specified conditions (see Section 2.2)	No
Conversion to Ordinary Shares on a Capital Trigger Event or Non-Viability Trigger Event	No	No	Yes, following a Capital Trigger Event (CET1 Capital Ratio equal to or less than 5.125%) or Non-Viability Trigger Event ⁴	N/A	
Ranking	See Section 1.1.2 "Ranking of PERLS XII in a winding up of CBA" and Section 2.6 "How will CommBank PERLS XII Capital Notes rank in a winding up?"				

1 The guarantee is provided for up to A\$250,000 deposited per person with each Australian authorised deposit-taking institution.

2 Can be withdrawn subject to certain conditions.

3 CBA will apply for PERLS XII to be quoted by ASX and they are expected to trade under code "CBAPI".

4 In relation to PERLS XII, see Section 2.4 "Automatic Exchange on a Capital Trigger Event or Non-Viability Trigger Event".

1.2 What are the key benefits and risks of CommBank PERLS XII Capital Notes?

1.2.1 Key benefits of PERLS XII

Floating Distributions	PERLS XII are scheduled to pay a floating Distribution Rate.
Quarterly Distributions	PERLS XII Distributions are scheduled to be paid quarterly in arrears.
Fixed Margin	PERLS XII pay a fixed Margin above the Market Rate to be determined through the Bookbuild.
Franked Distributions	PERLS XII Distributions are expected to be fully franked.
Listed on ASX	PERLS XII are expected to be listed on ASX and may be traded on ASX.
Diversification	PERLS XII provide investors an opportunity to diversify their investment portfolio.

1.2.2 Key risks of PERLS XII

You should read Section 4 “Risks of CommBank PERLS XII Capital Notes” in full before deciding to invest. The risks outlined in that section include risks associated with PERLS XII specifically and risks associated with CBA’s businesses which may affect PERLS XII, including those summarised below. Many of these risks are outside the control of CBA.

		Further information	Page
Risks associated with PERLS XII specifically			
PERLS XII are not deposit liabilities or protected accounts	Investments in PERLS XII 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.	Section 4.2.1	50
PERLS XII are subordinated and unsecured	PERLS XII are subordinated and unsecured liabilities. In a winding up of CBA, there is a risk that you may lose some or all of the money you invested in PERLS XII.	Section 4.2.2	50
Distributions may not be paid	Distributions are discretionary and subject to the Distribution payment conditions being satisfied. Distributions that are not paid do not accrue and will not be subsequently paid.	Section 4.2.3	50
PERLS XII may be Exchanged for Ordinary Shares	PERLS XII may be Exchanged for Ordinary Shares on the Mandatory Exchange Date (subject to the Maximum Exchange Number and Mandatory Exchange Conditions) or on another date if certain events occur. This includes if a Capital Trigger Event, Non-Viability Trigger Event or Change of Control Event occurs. There is a risk that on Exchange you may receive a number of Ordinary Shares with a value which is significantly less than the Face Value, including as a result of the application of the Maximum Exchange Number and the market price for Ordinary Shares at the time.	Sections 4.2.4 and 4.2.5	51, 52
Ordinary Shares are a different type of investment to PERLS XII	Dividends on Ordinary Shares are payable at the absolute discretion of CBA and the amount of each dividend is discretionary (not subject to a formula). In a winding up of CBA, claims of holders of Ordinary Shares rank behind claims of holders of all other securities and debts of CBA. In contrast, Distributions on PERLS XII are payable in accordance with the Terms and claims of PERLS XII holders rank ahead of Holders of Ordinary Shares.	Section 4.2.4.4	52

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A failure to Exchange following a Capital Trigger Event or Non-Viability Trigger Event may cause you to lose your investment	If a Capital Trigger Event or Non-Viability Trigger Event occurs and Exchange fails to take effect for any reason and CBA has not otherwise issued the Ordinary Shares required to be issued in respect of such Exchange within 5 Business Days, then Holders' rights under the relevant PERLS XII will be immediately and irrevocably terminated and such termination will be taken to have occurred immediately on the date of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event. Your investment in the relevant PERLS XII will lose all of its value – the Face Value will not be paid and you will not receive any compensation. This could occur if CBA was prevented from issuing Ordinary Shares by circumstances outside of its control, for example, if CBA was prevented by an applicable law or order of any court, or action of any government authority, from issuing Ordinary Shares.	Section 4.2.5	52
PERLS XII are perpetual and may not be Exchanged	PERLS XII may not be Exchanged on the Scheduled Mandatory Exchange Date if the Mandatory Exchange Conditions are not met and you may continue to hold PERLS XII indefinitely.	Section 4.2.6	53
CBA has early Redemption and Resale rights	CBA may Redeem PERLS XII or choose that a Resale occur on the Call Date, or Redeem PERLS XII at any time for tax or regulatory reasons or if it is unable to frank Distributions, subject to APRA's prior written approval. APRA's approval may or may not be given.	Section 4.2.7	54
Holders have no rights to request Exchange or Redemption	You do not have a right to request that your PERLS XII be Exchanged or Redeemed early.	Section 4.2.8	54
CBA may raise more debt and issue additional securities	CBA may raise more debt and issue further securities which rank equally with or ahead of PERLS XII, whether or not secured.	Section 4.2.9	54
The Distribution Rate will fluctuate	The Distribution Rate will fluctuate with changes in the Market Rate. It is possible for the Market Rate to become negative. Should this occur, the negative amount will be taken into account in calculating the Distribution Rate. There is a risk the Distribution Rate may become less attractive compared to returns on comparable securities or investments.	Section 4.2.10	54
The market price of PERLS XII will fluctuate	The market price of PERLS XII on ASX will fluctuate and you may lose some or all of the money you invested in PERLS XII if you sell them.	Section 4.2.11	54
Liquidity may be low	Liquidity of PERLS XII on ASX may be low and you may not be able to sell your PERLS XII at an acceptable price or at all.	Section 4.2.12	54
Terms may be amended	In certain circumstances as set out in the Terms, CBA may amend the Terms without the consent of Holders and subject to compliance with relevant laws, or with the consent of Holders if a Special Resolution is passed. Certain amendments may require written approval from APRA which may or may not be given.	Section 4.2.14	55
Risks associated with CBA's businesses which may affect PERLS XII			
Regulatory and political environment	CBA is subject to extensive regulation and operates in an environment of political scrutiny, which may adversely impact CBA's operations or financial condition. Inquiries, investigations and other regulatory actions can adversely affect CBA, damage investor confidence, and may result in enforcement proceedings or changes in law/regulation.	Section 4.3.1	55
Reputation	CBA may be adversely affected by damage to its reputation among its stakeholders, including customers, investors and the community.	Section 4.3.2	57

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Macroeconomic environment	As a financial group whose core businesses are primarily located in Australia and New Zealand, the performance of CBA is dependent on the state of the Australian or New Zealand economies. CBA may be adversely impacted by a downturn in the Australian economy and deteriorations in the global financial markets.	Sections 4.3.3 and 4.3.4	58
Competition and industry disruption	CBA's performance may be adversely affected by increasing competition, especially from non-Australian financial service providers, new non-bank entrants or smaller providers.	Section 4.3.5	58
Operational and information security risks	CBA may incur losses due to operational risks and/or from cyber-attacks and data security breaches.	Sections 4.3.6 and 4.3.7	58, 59
Other Risks	CBA may be adversely affected by other events that may have a direct or indirect impact on its financial position or performance – such as human capital risk, climate change, compliance and conduct risks, legal liability and regulatory action, counterparty exposures, liquidity and funding risks, capital adequacy risks, market risks, strategic risks, acquisitions or divestments of businesses, investor activism and insurance risks.	Sections 4.3.8 to 4.3.20	59-62

1.3 What is the Offer and how do I apply?

		Further information	Page
Offer structure	The Offer comprises: <ul style="list-style-type: none">• a Broker Firm Offer; and• a Securityholder Offer.	For further information on the different components of the Offer and how to apply, see Section 6 "How to Apply"	71
Minimum Application for PERLS XII	Your Application for PERLS XII must be for 50 PERLS XII (A\$5,000), and thereafter in multiples of 10 PERLS XII (A\$1,000).	Section 6.2.1 "Minimum Application"	72
How to apply	To apply for PERLS XII, you must follow the instructions set out in the Application Form and Section 6 "How to Apply".	Section 6 "How to Apply"	71

If you have any questions about PERLS XII or the Offer, you should seek advice from your financial or other professional adviser. You can also call the PERLS XII Information Line on 1800 992 547 (Monday to Friday 8.00am – 7.30pm, Sydney time) during the Offer Period. Applicants in the Broker Firm Offer may also call their Syndicate Broker.



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Section 2

Information About CommBank PERLS XII Capital Notes

- 2.1 Distributions on CommBank PERLS XII Capital Notes
- 2.2 When will the Face Value be repaid?
- 2.3 Mandatory Exchange
- 2.4 Automatic Exchange on a Capital Trigger Event or Non-Viability Trigger Event
- 2.5 Automatic Exchange on a Change of Control Event
- 2.6 How will CommBank PERLS XII Capital Notes rank in a winding up?
- 2.7 What else should I know about?

[^] The Forrester Banking Wave™: Australian Mobile Apps, Q2 2019.

The following is an overview of the key terms of PERLS XII. It is important that you read this Prospectus, the Terms, Deed Poll and the Constitution in full before deciding to invest in PERLS XII. If you have any questions, you should seek advice from your financial or other professional adviser.

The full Terms are contained in Appendix A. Rights and liabilities attaching to PERLS XII may also arise under the Corporations Act, the ASX Listing Rules and other applicable laws.

2.1 Distributions on CommBank PERLS XII Capital Notes

PERLS XII are scheduled to pay floating rate Distributions quarterly until all PERLS XII are Exchanged or Redeemed.

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2.1.1 How are Distributions calculated on PERLS XII?		
Distribution Rate	The Distribution Rate is calculated using the following formula:	Appendix A “Terms of CommBank PERLS XII Capital Notes” Clause 2
	Distribution Rate = (Market Rate + Margin) x (1 – Tax Rate)	
	Where	
	Market Rate is the Bank Bill Swap Reference Rate (“BBSW”) administered by ASX Benchmarks Pty Limited (or any other person that takes on the administration of that rate) expressed as a percentage per annum for a term of 3 months. The Market Rate is the primary benchmark interest rate for the Australian money market. It is the primary short-term rate used in the financial markets for the pricing and valuation of Australian dollar securities and as a lending reference rate. The Market Rate changes to reflect supply and demand within the cash and currency markets and it is possible for the Market Rate to become negative. The Market Rate for each Distribution Period is set on the first Business Day of the Distribution Period.	
	Margin is expected to be between 3.00% and 3.20% per annum and will be determined through the Bookbuild.	
	Tax Rate is the Australian corporate tax rate on the relevant Distribution Payment Date.	
	Distributions are expected to be fully franked.	
	The first Distribution is scheduled to be paid on 15 March 2020.	
	Distributions are discretionary and subject to the Distribution payment conditions being satisfied. Distributions that are not paid do not accrue and will not be subsequently paid. Non-payment of a Distribution will not be an event of default and CBA will have no liability to Holders in respect of the unpaid Distribution.	
	If CBA determines that BBSW has been affected by a “Market Rate Disruption Event”, CBA may select an Alternative Market Rate that it considers appropriate and make other related changes to the Terms (subject to APRA’s prior written approval in certain circumstances). Approval is at the discretion of APRA and may or may not be given.	
	Broadly, a “Market Rate Disruption Event” occurs where BBSW is not published by 10:30am (or any such time as CBA considers appropriate), there is an obvious error in the rate, BBSW has been discontinued or ceases to be calculated or administered, or BBSW has ceased to be generally accepted in the Australian market for securities such as PERLS XII. CBA is required to act in good faith and in a commercially reasonable manner in selecting an Alternative Market Rate, and may consult with sources that it considers appropriate, but may otherwise exercise its discretion.	

Further information	Page
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Where an Alternative Market Rate applies, CBA retains a discretion to incorporate an adjustment (subject to APRA's written approval in certain circumstances), in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit to Holders as a result of the use of an Alternative Market Rate.

Further detail is set out in Clause 2.2 of the Terms.



This chart shows historical movements in the Market Rate. Past levels are not necessarily indicative of future levels.

It is possible for the Market Rate to become negative. Should this occur, the negative amount will be taken into account in calculating the Distribution Rate. For example, if the Market Rate is -1.00% per annum, the Margin is 3.00% per annum and the Australian corporate tax rate is 30%, then the Distribution will be 1.40% per annum.

Calculation of Distributions

The Distribution payable on each PERLS XII for each Distribution Period is calculated using the following formula:

Appendix A "Terms of CommBank PERLS XII Capital Notes" Clause 2

Distribution payable =

Distribution Rate x Face Value x Number of days in the Distribution Period / 365

For example, if the Face Value is A\$100 (based on the Initial Face Value), the Market Rate is 0.84% per annum, the Margin is 3.00% per annum, the Australian corporate tax rate is 30% and the Distribution Period is 90 days in length, the Distribution for the relevant Distribution Period would be calculated as follows:

3.84% x (1 - 30%) x A\$100 x 90/365

= A\$0.6628 per PERLS XII

This Distribution would be expected to be fully franked.

The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Distribution Rate for any Distribution Period. The actual Distribution payable may be higher or lower than this example.

The Face Value used in this example is the Initial Face Value but the Face Value could be reduced if a Capital Trigger Event or Non-Viability Trigger Event occurs.

		Further information	Page
	CBA will announce to ASX the applicable Distribution Rate and the amount of the Distribution payable for each Distribution Period. Information about the Distribution Rate can also be obtained from ASX at www.asx.com.au and from the Investor Centre at www.commbank.com.au/investors .		
Franking credits	<p>Distributions are expected to be fully franked.</p> <p>If any Distribution is not fully franked for any reason, then that Distribution will be grossed up according to the formula in Clause 2.4 of the Terms.</p> <p>The ability for Holders to use franking credits, either as an offset to a tax liability or by claiming a refund, will depend on that Holder's particular tax circumstance and any changes in Australian tax law.</p>	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clause 2.4 For further information about the tax consequences of receiving Distributions, see Section 5.4 "Summary of Australian tax consequences for Holders"	83 64
2.1.2 How are Distributions paid on PERLS XII?			
Distribution Payment Dates	<p>Distributions are scheduled to be paid quarterly in arrears on the following dates until all PERLS XII have been Exchanged or Redeemed:</p> <ul style="list-style-type: none"> • 15 March • 15 June • 15 September • 15 December <p>If any of these scheduled 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. The first Distribution is scheduled to be paid on 15 March 2020.</p>	Appendix A "Terms of CommBank PERLS XII Capital Notes" definition of Distribution Payment Date, Clauses 2.1 and 9.3	97, 82, 92
Payments	<p>Distributions are scheduled to be paid to Holders whose details are recorded with the Registry at 7.00pm on the Record Date.</p> <p>Distributions and any other amount payable will be paid by electronic transfer to a bank account maintained in Australia with a financial institution nominated by you.</p>	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clauses 9.1 and 9.4	92

		Further information	Page
Distributions are subject to Distribution payment conditions	Payment of a Distribution is subject to the following conditions:	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clauses	82, 84
Dividend and capital restrictions may then apply to Ordinary Shares	<ul style="list-style-type: none"> • CBA, in its absolute discretion, making the Distribution to Holders; • payment not resulting in a breach of CBA's capital requirements as they are applied to the CBA Level 1 Group or the CBA Level 2 Group or both under APRA's prudential standards; • payment not resulting in CBA becoming, or being likely to become, insolvent; and • APRA not otherwise objecting to the payment. <p>No Distribution will be paid on Exchange where Exchange occurs due to a Capital Trigger Event or a Non-Viability Trigger Event.</p> <p>Distributions that are not paid do not accrue and will not be subsequently paid. Non-payment of a Distribution on the relevant Distribution Payment Date will not be an event of default and CBA will have no liability to Holders in respect of the unpaid Distribution. However, from that Distribution Payment Date and until a Distribution is paid in full on a subsequent Distribution Payment Date (or all PERLS XII are Exchanged, Redeemed or otherwise terminated), CBA cannot (subject to certain exceptions): <ul style="list-style-type: none"> • declare or determine a dividend on Ordinary Shares; or • return any capital or undertake any buy-backs or repurchases in relation to Ordinary Shares. </p>	1.5(g), 2.5, 2.6 and 2.7	

2.2 When will the Face Value be repaid?

PERLS XII are perpetual but CBA has the right to Redeem some or all PERLS XII in certain circumstances.

		Further information	Page
Optional early Redemption by CBA	<p>CBA has the right to Redeem the following number of PERLS XII in the following circumstances (subject to certain conditions, including prior written approval from APRA and CBA either replacing PERLS XII with capital of the same or better quality or APRA being satisfied that CBA does not need to replace PERLS XII):</p> <ul style="list-style-type: none"> • on the Call Date (20 April 2027) – all or some PERLS XII; or • at any time – all PERLS XII if CBA is unable to frank Distributions or for other tax or regulatory reasons (described below). <p>It should be noted that approval is at the discretion of APRA and may or may not be given.</p> <p>On the Call Date or Redemption Date (as applicable), you will receive an amount equal to the Face Value for each of your PERLS XII being Redeemed.</p>	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clause 5	87

		Further information	Page
Early Redemption by CBA – for taxation reasons	A tax reason arises when: <ul style="list-style-type: none"> • as a result of a change in, or amendment to, the laws of Australia, or any change in their application or official or judicial interpretation or administration (including any announcement of a prospective change or amendment which has been or will be introduced), other than a change or amendment expected by CBA as at the Issue Date, there is a material risk that CBA would not be able to frank Distributions; or • CBA receives an opinion from reputable legal counsel or other tax adviser that there is a material risk that as a result of a change in, or amendment to, the laws of Australia, or any change in their application or official or judicial interpretation or administration (including any announcement of a prospective change or amendment which has been or will be introduced), other than a change or amendment expected by CBA as at the Issue Date, CBA would be required to pay an increased amount under Clause 9.6 of the Terms, or would be exposed to a more than de minimis adverse tax consequence in relation to PERLS XII. 	Appendix A “Terms of CommBank PERLS XII Capital Notes” Clauses 5.2 and 5.3	88
Early Redemption by CBA – for regulatory reasons	A regulatory reason arises when CBA determines that all, some or a proportion of all or some PERLS XII are not or will not be treated as Tier 1 Capital of the CBA Group under APRA’s prudential standards as a result of a change in, or amendment to, the laws of Australia or a change in APRA’s prudential standards or guidelines, or any change in their application or official or judicial interpretation or administration (including following any announcement of a prospective change or amendment which has been or will be introduced) other than as a result of a change of treatment expected by CBA as at the Issue Date.	Appendix A “Terms of CommBank PERLS XII Capital Notes” Clause 5.4	88
Resale on the Call Date	CBA may elect that Resale occur in relation to all or some PERLS XII on the Call Date (20 April 2027). If Resale occurs, your PERLS XII will be purchased by a Purchaser for a cash amount equal to their Face Value. The Purchaser will be one or more parties selected by CBA in its absolute discretion (which cannot be CBA, a member of the CBA Group or a related body corporate of CBA).	Appendix A “Terms of CommBank PERLS XII Capital Notes” Clause 6	89
No early Exchange or Redemption rights for Holders	You do not have a right to request that your PERLS XII be Exchanged or Redeemed early for any reason. To realise your investment, you can sell your PERLS XII on ASX at the prevailing market price.	Appendix A “Terms of CommBank PERLS XII Capital Notes” Clauses 4.8 and 5.7	87, 88

2.3 Mandatory Exchange

PERLS XII do not have a maturity date but are scheduled to be Exchanged on the Mandatory Exchange Date.

		Further information	Page
Mandatory Exchange Date	The Mandatory Exchange Date is 20 April 2029 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.	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clause 3	84
Exchange on the Mandatory Exchange Date	On the Mandatory Exchange Date (subject to the Maximum Exchange Number and Mandatory Exchange Conditions), you will receive for each of your PERLS XII a variable number of Ordinary Shares with a value equal to A\$101.01 (based on the Initial Face Value and the VWAP of Ordinary Shares during the period of 20 Business Days before the Mandatory Exchange Date with the benefit of a 1% discount). The value of Ordinary Shares you receive could be less than this amount if the Face Value has previously been reduced (following a previous Capital Trigger Event or Non-Viability Trigger Event).	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clauses 3.1 and 7	84, 89
	To realise the value of the Ordinary Shares, you can sell them on ASX at the prevailing market price.		
Exchange Number	CBA will issue to the Holder the Exchange Number of Ordinary Shares for each PERLS XII held by a Holder. The Exchange Number is calculated according to the following formula, subject to the Exchange Number being no greater than the Maximum Exchange Number:	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clause 7.1	89
Face Value	0.99 x VWAP		
	Based on a Face Value of A\$100 (the Initial Face Value) and with the benefit of the 1% discount, this means that you will receive a variable number of Ordinary Shares with a value equal to A\$101.01. The value of Ordinary Shares you receive could be less than this amount if the Face Value has previously been reduced (following a previous Capital Trigger Event or Non-Viability Trigger Event).		

		Further information	Page
Maximum Exchange Number	<p>The number of Ordinary Shares that you will receive will not be greater than the Maximum Exchange Number which is calculated according to the following formula:</p> <p style="text-align: center;">Face Value</p> <p style="text-align: center;">Relevant Percentage x Issue Date VWAP</p> <p>The Relevant Percentage is 0.50 if Exchange is occurring on a Mandatory Exchange Date.</p> <p>The Issue Date VWAP is the VWAP of Ordinary Shares during the period of 20 Business Days immediately preceding (but not including) the Issue Date for PERLS XII.</p> <p>For example, if the Face Value is A\$100 (based on the Initial Face Value) and the Issue Date VWAP is A\$81, the Maximum Exchange Number would be calculated as follows:</p> $\frac{\text{A\$100}}{(0.50 \times \text{A\$81})} = 2.4691 \text{ Ordinary Shares per PERLS XII}$ <p>= 2.4691 Ordinary Shares per PERLS XII</p> <p>The Maximum Exchange Number may limit you to receiving a number of Ordinary Shares with a value (measured over the period prior to Exchange) which is significantly less than the Face Value on Exchange. To provide some protection for Holders against this occurring, Exchange on a Mandatory Exchange Date will not occur unless the Mandatory Exchange Conditions are satisfied.</p> <p>However, depending on the market price of Ordinary Shares at the time, you may receive Ordinary Shares that are worth less than the Face Value, and may suffer loss as a consequence.</p> <p>The Maximum Exchange Number will reduce if the Face Value has previously been reduced (following a previous Capital Trigger Event or Non-Viability Trigger Event).</p>	Appendix A “Terms of CommBank PERLS XII Capital Notes” Clause 7.1	89
VWAP	<p>VWAP means the average of the daily volume weighted average prices of Ordinary Shares traded on ASX and Chi-X during the relevant period of 20 Business Days, subject to adjustments.</p> <p>It is intended to calculate a fair price of Ordinary Shares which is used to calculate the Exchange Number and Maximum Exchange Number.</p>	Appendix A “Terms of CommBank PERLS XII Capital Notes” definition of VWAP	99

		Further information	Page
Mandatory Exchange Conditions	<p>Exchange will not occur unless all the Mandatory Exchange Conditions are satisfied. If Exchange does not occur, you will continue to hold your PERLS XII until the first Distribution Payment Date after that date on which all the Mandatory Exchange Conditions are satisfied, at which time Exchange will occur.</p> <p>The Mandatory Exchange Conditions are:</p> <ul style="list-style-type: none"> • First Mandatory Exchange Condition: the VWAP of Ordinary Shares on the 25th Business Day before (but not including) a potential Mandatory Exchange Date is greater than 56% of the Issue Date VWAP; • Second Mandatory Exchange Condition: the VWAP of Ordinary Shares during the period of 20 Business Days before (but not including) a potential Mandatory Exchange Date is greater than 50.51% of the Issue Date VWAP; and • Third Mandatory Exchange Condition: Ordinary Shares are listed or admitted to trading on ASX as at the Mandatory Exchange Date. <p>The First and Second Mandatory Exchange Conditions are intended to provide some protection for Holders against Exchange occurring when the price of Ordinary Shares has fallen to such a level that you would only receive the Maximum Exchange Number.</p> <p>CBA has had regard to market precedents and the cap on the number of Ordinary Shares permitted to be issued under applicable APRA prudential standards and ratings guidance in determining the percentages specified in the First and Second Mandatory Exchange Conditions.</p> <p>The Third Mandatory Exchange Condition is intended to provide protection to Holders to enable them to sell the Ordinary Shares they receive on ASX if they wish to do so.</p> <p>The following diagram illustrates the timeframes that are relevant for the Mandatory Exchange Conditions, using the date of 20 April 2029 as a potential Mandatory Exchange Date. These dates are indicative only and may change.</p> <pre> graph TD A[14 March 2029 25th Business Day before potential Mandatory Exchange Date] --> B[21 March 2029 20th Business Day before potential Mandatory Exchange Date] B --> C[19 April 2029 Last Business Day of VWAP Period (Business Day before potential Mandatory Exchange Date)] C --> D[20 April 2029 Potential Mandatory Exchange Date (subject to satisfaction of the Mandatory Exchange Conditions)] C --- E[20 Business Day VWAP Period] E --- F[First Mandatory Exchange Condition] E --- G[Second Mandatory Exchange Condition] E --- H[Third Mandatory Exchange Condition] </pre>	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clause 3	84

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What if I do not wish to receive Ordinary Shares or if I am prohibited or restricted from receiving Ordinary Shares?	If you do not wish to receive Ordinary Shares, you can notify CBA of this at any time prior to the Exchange Date. If Exchange occurs and you have notified CBA that you do not wish to receive Ordinary Shares, or if you are an Ineligible Holder ¹ , then CBA will issue the relevant number of Ordinary Shares to a Nominee who will hold the Ordinary Shares on trust for sale for your benefit ² . At the first opportunity, the Nominee will arrange for the sale of the Ordinary Shares on your behalf and pay the proceeds less selling costs to you. No guarantee is given in relation to the timing or price at which any sale will occur.	Appendix A “Terms of CommBank PERLS XII Capital Notes” Clause 7.10	91

2.4 Automatic Exchange on a Capital Trigger Event or Non-Viability Trigger Event

CBA must Exchange all, some or a percentage of each PERLS XII if certain events occur.

		Further information	Page
Automatic early Exchange – general	<p>CBA must Exchange all or some PERLS XII or a percentage of the Face Value of each PERLS XII in the following circumstances:</p> <ul style="list-style-type: none"> • if a Capital Trigger Event occurs; or • if a Non-Viability Trigger Event occurs. <p>The Mandatory Exchange Conditions do not apply.</p> <p>On the Exchange Date (subject to the Maximum Exchange Number), you will receive for each of your PERLS XII a variable number of Ordinary Shares with a value equal to A\$101.01 (based on the Initial Face Value of A\$100 and the VWAP of Ordinary Shares with the benefit of a 1% discount). The VWAP is based on the period of 5 Business Days before the Exchange Date.</p> <p>The value of Ordinary Shares you receive could be less than this amount if only a percentage of the Face Value is being Exchanged, if the Face Value has previously been reduced (following a previous Capital Trigger Event or Non-Viability Trigger Event) or if the Maximum Exchange Number applies.</p> <p>As a result of the application of the Maximum Exchange Number and depending on the market price of Ordinary Shares at the time, you may receive Ordinary Shares that are worth significantly less than A\$101.01 per PERLS XII (based on an Initial Face Value of A\$100), and may suffer a loss as a consequence.</p> <p>To realise the value of the Ordinary Shares, you can sell them on ASX at the prevailing market price.</p>	Section 4.2.5 “A Capital Trigger Event or Non-Viability Trigger Event may occur”	52

- 1 CBA will treat a Holder as not being an Ineligible Holder unless the Holder has notified CBA that it is an Ineligible Holder.
- 2 If, because the Holder is an Ineligible Holder, the Nominee is deemed to be an Ineligible Holder, then Ordinary Shares will be issued to the Nominee as soon as practicable after the Nominee ceases to be an Ineligible Holder. If Exchange is occurring because of the occurrence of a Capital Trigger Event or Non-Viability Trigger Event, and the Exchange fails to take effect for any reason and CBA has not otherwise issued the Ordinary Shares required to be issued in respect of such Exchange within 5 Business Days, then Holders' rights under the relevant PERLS XII will be immediately and irrevocably terminated and such termination will be taken to have occurred immediately on the date of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event.

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Automatic early Exchange – Capital Trigger Event	<p>A Capital Trigger Event occurs when:</p> <ul style="list-style-type: none"> • CBA determines; or • APRA notifies CBA in writing that it believes, that either or both the CBA Level 1 Common Equity Tier 1 (“CET1”) Capital Ratio or CBA Level 2 CET1 Capital Ratio is equal to or less than 5.125%. <p>The CET1 Capital Ratio is the ratio of CBA’s CET1 Capital to its risk-weighted assets, where CET1 Capital is the strongest form of capital held by CBA. CBA’s Level 2 CET1 Capital Ratio was 10.7% as at 30 June 2019, which equates to a surplus of approximately A\$23.2 billion above the Capital Trigger Event level of 5.125%. CBA’s Level 1 CET1 Capital Ratio was 11.2% as at 30 June 2019, which equates to a surplus of approximately A\$25.7 billion above the Capital Trigger Event level of 5.125%.</p> <p>If a Capital Trigger Event occurs, CBA must immediately Exchange such number of PERLS XII (or a percentage of the Face Value of each PERLS XII) as is sufficient to return the relevant CET1 Capital Ratio to above 5.125%.</p>	<p>Section 3.8.1.2 “Capital Trigger Event”</p> <p>Section 4.2.5 “A Capital Trigger Event or Non-Viability Trigger Event may occur”</p> <p>Appendix A “Terms of CommBank PERLS XII Capital Notes” Clauses 4.1, 4.3, 4.4, 4.5 and 4.6 and definitions of CBA Level 1 Common Equity Tier 1 Capital Ratio and CBA Level 2 Common Equity Tier 1 Capital Ratio</p>	38 52 85, 86, 87, 97
Automatic early Exchange – Non-Viability Trigger Event	<p>A Non-Viability Trigger Event occurs when APRA notifies CBA in writing that it believes:</p> <ul style="list-style-type: none"> • Exchange of all or some PERLS XII (or the taking of an action in relation to other capital instruments of the CBA Group) is necessary because, without it, CBA would become non-viable; or • a public sector injection of capital, or equivalent support, is necessary because, without it, CBA would become non-viable. <p>If a Non-Viability Trigger Event occurs, CBA must immediately Exchange such number of PERLS XII (or a percentage of the Face Value of each PERLS XII) as specified by APRA or necessary to satisfy APRA that CBA will no longer be non-viable. In the case of a public sector injection of capital, or equivalent support, all PERLS XII must be immediately Exchanged.</p>	<p>Section 4.2.5 “A Capital Trigger Event or Non-Viability Trigger Event may occur”</p> <p>Appendix A “Terms of CommBank PERLS XII Capital Notes” Clauses 4.2, 4.3, 4.4, 4.5 and 4.6</p>	52 86, 87

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How does Exchange work upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event?	<p>Upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event, CBA must immediately Exchange all or some PERLS XII (or a percentage of the Face Value of each PERLS XII). The Mandatory Exchange Conditions do not apply and the Terms provide that Exchange occurs automatically without the need for any further act or step by CBA and that CBA will recognise Holders as having been issued Ordinary Shares.</p> <p>Any ASX trades in PERLS XII that have not settled on the date a Capital Trigger Event or Non-Viability Trigger Event occurs will continue to settle in accordance with the normal ASX T+2 settlement, although the seller will be treated as having delivered, and the buyer will be treated as having acquired, the number of Ordinary Shares into which PERLS XII have been Exchanged as a result of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event.</p> <p>If Exchange fails to take effect for any reason and CBA has not otherwise issued the Ordinary Shares required to be issued in respect of such Exchange within 5 Business Days, then Holders' rights under the relevant PERLS XII will be immediately and irrevocably terminated and such termination will be taken to have occurred immediately on the date of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event. Your investment in the relevant PERLS XII will lose all of its value and you will not receive any compensation. This could occur if CBA is prevented from issuing Ordinary Shares by circumstances outside its control, for example, if CBA is prevented by a specified law or order of any court, or action of any government authority, from issuing Ordinary Shares.</p>	Section 4.2.5 "A Capital Trigger Event or Non-Viability Trigger Event may occur"	52
Exchange Number	<p>CBA will issue the Exchange Number of Ordinary Shares for each PERLS XII held by a Holder.</p> <p>The Exchange Number is calculated according to the same formula that applies to Exchange on the Mandatory Exchange Date (see Section 2.3 "Mandatory Exchange"), but with the VWAP based on the period of 5 Business Days before the Exchange Date, and is subject to the Exchange Number being no greater than the Maximum Exchange Number.</p> <p>The amount used as the Face Value in this calculation will only be the affected percentage of the Face Value required to be Exchanged and, if the full Face Value is not required to be Exchanged, you will continue to hold your PERLS XII with a reduced Face Value.</p>	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clause 7.1	89

		Further information	Page
Maximum Exchange Number	The number of Ordinary Shares that you will receive will not be greater than the Maximum Exchange Number which is calculated according to the following formula:	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clause 7.1	89
	Face Value		
	Relevant Percentage x Issue Date VWAP		
	The Relevant Percentage is 0.20 if a Capital Trigger Event or Non-Viability Trigger Event has occurred.		
	The Issue Date VWAP is the VWAP of Ordinary Shares during the period of 20 Business Days immediately preceding (but not including) the Issue Date for PERLS XII.		
	For example, if the Face Value is A\$100 (based on the Initial Face Value) and the Issue Date VWAP is A\$81, the Maximum Exchange Number would be calculated as follows:		
	$\frac{\text{A\$100}}{(0.20 \times \text{A\$81})}$ = 6.1728 Ordinary Shares per PERLS XII		
	The Maximum Exchange Number may limit you to receiving a number of Ordinary Shares with a value which is significantly less than the Face Value.		
	The Mandatory Exchange Conditions do not apply if a Capital Trigger Event or Non-Viability Trigger Event has occurred.		
	As a result of the application of the Maximum Exchange Number and depending on the market price of Ordinary Shares at the time, you may receive Ordinary Shares that are worth significantly less than A\$101.01 per PERLS XII (based on the Initial Face Value of A\$100), and may suffer loss as a consequence.		
	The Maximum Exchange Number will reduce if the Face Value has previously been reduced (following a previous Capital Trigger Event or Non-Viability Trigger Event).		
What if I do not wish to receive Ordinary Shares or if I am prohibited or restricted from receiving Ordinary Shares?	If you do not wish to receive Ordinary Shares, you can notify CBA of this at any time prior to the Exchange Date and the same process outlined in Section 2.3 "Mandatory Exchange" will apply. The process for Ineligible Holders is also outlined in Section 2.3 "Mandatory Exchange".	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clause 7.10	91

2.5 Automatic Exchange on a Change of Control Event

CBA must Exchange all PERLS XII if certain events occur.

		Further information	Page
Automatic early Exchange	<p>CBA must Exchange all PERLS XII if a Change of Control Event occurs in respect of CBA.</p> <p>A Change of Control Event occurs when:</p> <ul style="list-style-type: none"> • a takeover bid for Ordinary Shares is made and certain conditions are satisfied; or • a scheme of arrangement is proposed and certain conditions are satisfied. <p>On the Exchange Date (subject to the Second and Third Mandatory Exchange Conditions and the Maximum Exchange Number, each as described below), you will receive for each of your PERLS XII a variable number of Ordinary Shares with a value equal to A\$101.01 (based on the Initial Face Value of A\$100 and the VWAP of Ordinary Shares with the benefit of a 1% discount). The VWAP will be based on the period of 20 Business Days before the Exchange Date. The value of Ordinary Shares you receive could be less than this amount if the Face Value has previously been reduced (following a previous Capital Trigger Event or Non-Viability Trigger Event).</p> <p>To realise the value of the Ordinary Shares, you can sell them on ASX at the prevailing market price.</p>	Appendix A “Terms of CommBank PERLS XII Capital Notes” Clauses 4.7 and 7.1	87, 89
How does Exchange work upon the occurrence of a Change of Control Event?	<p>Upon the occurrence of a Change of Control Event, CBA must Exchange all PERLS XII. The Second and Third Mandatory Exchange Conditions will apply with the modifications in Clause 4.7(c) of the Terms, as follows:</p> <ul style="list-style-type: none"> • Second Mandatory Exchange Condition: the VWAP of Ordinary Shares during the period of 20 Business Days before (but not including) the proposed Exchange Date is greater than 20.20% of the Issue Date VWAP; and • Third Mandatory Exchange Condition: Ordinary Shares are listed or admitted to trading on ASX as at the proposed Exchange Date. 	Appendix A “Terms of CommBank PERLS XII Capital Notes” Clause 4.7	87
Exchange Number	<p>CBA will issue to the Holder the Exchange Number of Ordinary Shares for each PERLS XII held by that Holder.</p> <p>The Exchange Number is calculated according to the same formula that applies to Exchange on the Mandatory Exchange Date (see Section 2.3 “Mandatory Exchange”) and is subject to the Exchange Number being no greater than the Maximum Exchange Number.</p>	Appendix A “Terms of CommBank PERLS XII Capital Notes” Clause 7.1	89

		Further information	Page
Maximum Exchange Number	The number of Ordinary Shares that you will receive will not be greater than the Maximum Exchange Number which is calculated according to the following formula:	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clause 7.1	89
	<p>Face Value</p> <p>Relevant Percentage x Issue Date VWAP</p> <p>The Relevant Percentage is 0.20 if a Change of Control Event has occurred.</p> <p>The Issue Date VWAP is the VWAP of Ordinary Shares during the period of 20 Business Days immediately preceding (but not including) the Issue Date for PERLS XII.</p> <p>The Maximum Exchange Number may limit you to receiving a number of Ordinary Shares with a value (measured over the period prior to Exchange) which is significantly less than the Face Value on Exchange. To provide some protection for Holders against this occurring on Exchange due to a Change of Control Event, CBA will only Exchange PERLS XII due to a Change of Control Event where the Second and Third Mandatory Exchange Conditions are satisfied as modified by Clause 4.7(c) of the Terms.</p> <p>However, depending on the market price of Ordinary Shares at the time, you may receive Ordinary Shares that are worth less than the Face Value, and may suffer loss as a consequence.</p> <p>The Maximum Exchange Number will reduce if the Face Value has previously been reduced (following a previous Capital Trigger Event or Non-Viability Trigger Event).</p>		
What if I do not wish to receive Ordinary Shares or if I am prohibited or restricted from receiving Ordinary Shares?	If you do not wish to receive Ordinary Shares, you can notify CBA of this at any time prior to the Exchange Date and the same process outlined in Section 2.3 "Mandatory Exchange" will apply. The process for Ineligible Holders is also outlined in Section 2.3 "Mandatory Exchange".	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clause 7.10	91

2.6 How will CommBank PERLS XII Capital Notes rank in a winding up?

PERLS XII are subordinated, unsecured liabilities of CBA.

		Further information	Page
No security	PERLS XII are not secured by any assets of CBA or its subsidiaries.	Appendix A “Terms of CommBank PERLS XII Capital Notes” Clause 1.1	82
Ranking in a winding up of CBA	<p>Senior Ranking Obligations are all deposits and other liabilities, securities and other obligations of CBA (other than Equal Ranking Securities or Junior Ranking Securities). In a winding up of CBA, your claim will rank after the claims of holders of Senior Ranking Obligations, including creditors preferred by law and secured creditors.</p> <p>Your claim will rank equally with claims of other Holders and holders of Equal Ranking Securities. This means your PERLS XII rank equivalently to a preference share.</p> <p>Your claim will rank ahead of claims of holders of Junior Ranking Securities (being holders of Ordinary Shares).</p> <p>On Exchange, Holders will become holders of Ordinary Shares and rank equally with other holders of Ordinary Shares and could lose all of their investment on a winding up of CBA.</p>	Section 1.1.2 “Ranking of PERLS XII in a winding up of CBA” Appendix A “Terms of CommBank PERLS XII Capital Notes” Clause 1.5 For further information about the situation where a Capital Trigger Event or Non-Viability Trigger Event has occurred but CBA is not able to issue Ordinary Shares, see Section 2.4 “Automatic Exchange on a Capital Trigger Event or Non-Viability Trigger Event” and Section 4.2.5.3 “Consequences of the occurrence of a Capital Trigger Event or Non-Viability Trigger Event”	10 82 24, 53

2.7 What else should I know about?

		Further information	Page
No voting rights for Holders at CBA shareholder meetings	You do not have a right to vote at meetings of shareholders of CBA. You may vote at meetings for PERLS XII Holders in accordance with the Deed Poll.	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clauses 1.8 and 12.2	82, 94
Further issues of securities	CBA has the right in its absolute discretion to issue additional Senior Ranking Obligations or Equal Ranking Securities which may rank ahead of or equally with PERLS XII, whether or not secured. A Holding of PERLS XII does not confer any right to participate in further issues of securities by CBA.	Section 4.2.9 "CBA may raise more debt and issue other securities"	54, 82
No set off	CBA has no right to set-off amounts owing to Holders under PERLS XII against amounts owing by Holders to CBA or any member of the CBA Group. Holders have no right to set-off any amounts owed to CBA or other members of the CBA Group against amounts owing to Holders under PERLS XII.	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clause 1.6	82
Not guaranteed	PERLS XII are not deposit liabilities or protected accounts of CBA under the Banking Act. They are not guaranteed or insured by any Australian government, government agency or compensation scheme. No member of the CBA Group guarantees PERLS XII and no member of the CBA Group, other than CBA, has any liability for PERLS XII.	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clause 1.7	82
Substitution	CBA may, in connection with a NOHC Event, without the consent of Holders but subject to APRA approval ¹ , substitute a NOHC as the debtor under PERLS XII and as the issuer of ordinary shares on Exchange by giving notice to the Holders and ASX ("Full Successor"). Alternatively, CBA may substitute a NOHC only as the issuer of ordinary shares ("Partial Successor"). Any substitution is subject to the NOHC expressly assuming the relevant obligations of CBA under the Terms (including, in the instance of a Full Successor, the restrictions on paying Distributions and dividends on Ordinary Shares (with appropriate modifications) and satisfying certain other conditions, including the quotation of the ordinary shares of the NOHC on a securities exchange. The substitution of a NOHC does not allow CBA to elect to Exchange PERLS XII nor does it give you a right to request Exchange of your PERLS XII. Following substitution and prior to Exchange, you will continue to hold PERLS XII. The NOHC will be required to deliver its own ordinary shares in all circumstances when CBA would otherwise have been required to deliver Ordinary Shares (including on Exchange) and to use reasonable endeavours to procure the quotation of those ordinary shares on the relevant securities exchange.	Appendix A "Terms of CommBank PERLS XII Capital Notes" Clauses 2.5, 2.7 and 11	84, 93
ASX quotation	CBA will apply for quotation of PERLS XII on ASX. It is expected that PERLS XII will be quoted under code "CBAPI".	Section 6.3 "Issue and quotation of CommBank PERLS XII Capital Notes"	73

¹ Approval is at the discretion of APRA and may or may not be given.

		Further information	Page
Deed Poll	<p>CBA has elected not to appoint a trustee in connection with PERLS XII. Instead, a Deed Poll has been made by CBA in favour of each person who is from time to time a Holder.</p> <p>The PERLS XII Deed Poll contains:</p> <ul style="list-style-type: none"> • the agreement of CBA to observe its obligations as set out in the Terms; • an obligation on CBA to appoint the Registry and procure the Registry to establish and maintain a PERLS XII Register; and • provisions for meetings of Holders. <p>Holders will be bound by the terms of the Deed Poll, the Terms and this Prospectus when PERLS XII are allotted or transferred to them or they purchase PERLS XII.</p> <p>The Registry will be responsible to hold the original executed Deed Poll on behalf of Holders. Each Holder can enforce the obligations of CBA under the Deed Poll and the Terms independently of the Registry and each other Holder.</p>	Section 5.2.1 “Deed Poll” and Section 5.3 “Incorporation by Reference”	64
What is the power of attorney?	Each Holder appoints each of CBA, its directors, officers and authorised delegates of the Board, and any External Administrator of CBA severally to be its attorney to sign all documents and transfers and do any other thing as may in the attorney’s opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder’s obligations under the Terms, including any transfers of PERLS XII, making any entry in the Register or the register of any Ordinary Shares or exercising any voting power in relation to any consent or approval required for Exchange, Redemption or Resale.	Appendix A “Terms of CommBank PERLS XII Capital Notes” Clause 12.8	95
Governing law	New South Wales, Australia.	Appendix A “Terms of CommBank PERLS XII Capital Notes” Clause 12.10	95

If you have any questions about PERLS XII or the Offer, you should seek advice from your financial or other professional adviser. You can also call the PERLS XII Information Line on 1800 992 547 (Monday to Friday 8.00am – 7.30pm, Sydney time) during the Offer Period. Applicants in the Broker Firm Offer may also call their Syndicate Broker.



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Section 3

Information About CBA

- 3.1 Profile of CBA
- 3.2 Businesses of CBA
- 3.3 Business strategy of CBA
- 3.4 Financial services industry regulatory environment
- 3.5 Directors of CBA
- 3.6 Management of the businesses of CBA
- 3.7 Corporate governance of CBA
- 3.8 Financial information about CBA

3.1 Profile of CBA

CBA is one of Australia's leading providers of financial services, providing retail, business and institutional banking and wealth management. CBA is one of the largest companies listed on ASX and had a market capitalisation of A\$137 billion as at 4 October 2019. CBA is an authorised deposit-taking institution ("ADI") regulated by the Australian Prudential Regulation Authority ("APRA") and other regulatory bodies. CBA conducts its operations primarily in Australia and New Zealand. It also operates in a number of other countries including the United Kingdom, the United States, China, Japan, Europe, Singapore, Hong Kong, and Indonesia.

CBA's purpose is to improve the financial wellbeing of its customers and communities. CBA's strategy is to become a simpler, better bank that delivers balanced and sustainable outcomes for its customers, community, its people and shareholders.

You should focus on the financial position of CBA when deciding to invest in PERLS XII. Investments in PERLS XII are an investment in CBA and may be affected by the ongoing performance, financial position and solvency of CBA. PERLS XII are not deposit liabilities or protected accounts of CBA under the Banking Act and therefore are not guaranteed or insured by any Australian government, government agency or compensation scheme.

CBA is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules, including an obligation to lodge half-yearly and annual financial reports with ASIC and ASX. Copies of these and other documents lodged with ASIC can be obtained from, or inspected at, an ASIC office. Certain of these documents can also be obtained from www.asx.com.au and CBA's Investor Centre at www.commbank.com.au/investors, together with CBA's other ASX announcements.

3.2 Businesses of CBA

The principal activities of CBA are carried out in the business segments below.

- **Retail Banking Services**

Retail Banking Services provides home loans, consumer finance and other banking products and services to personal and business customers. Customers are supported through a network of branches, ATMs, Australia-based customer call centres, online services and apps, as well as mobile banking specialists and support teams. Retail Banking Services includes Bankwest, the CBA Group's general insurance business in Australia (which is under strategic review), the CBA Group's mortgage broking operations and Commonwealth Financial Planning.

- **Business and Private Banking**

Business and Private Banking serves the banking needs of business, corporate and agribusiness customers across the full range of financial services solutions, as well as providing banking and advisory services for high net worth individuals. Business and Private Banking

also provides margin lending and online equities trading through the CommSec business.

- **Institutional Banking and Markets**

Institutional Banking and Markets serves the commercial and wholesale banking needs of large corporate, institutional and government clients across a full range of financial services solutions including access to debt capital markets, transaction banking, working capital and risk management capabilities.

- **ASB**

ASB includes banking and funds management businesses operating in New Zealand.

- **Wealth Management**

Wealth Management provides superannuation, investment, retirement and insurance products, and services including financial planning.

CBA has announced a number of intended changes to Wealth Management, including:

- The sale of Colonial First State Global Asset Management ("CFSGAM") to Mitsubishi UFJ Trust and Banking Corporation. The sale completed on 2 August 2019.
- The sale of CBA's 37.5% equity interest in BoCommLife Insurance Company Limited ("BoCommLife") to MS&AD Insurance Group Holdings, which is subject to regulatory approvals in China. The completion of the BoCommLife transaction is a condition precedent to the sale of CommInsure Life. The revised transaction path in relation to CommInsure Life as set out below does not impact this sale process and CBA will continue to exercise full control over the BoCommLife equity interest until its sale has been completed.
- The sale of CBA's life insurance business in Australia ("CommInsure Life") to AIA Group Limited ("AIA"), which also includes a 20-year partnership with AIA to distribute life insurance products to customers. The sale remains subject to regulatory approvals. On 23 August 2019, CBA announced a revised transaction path to complete the sale of CommInsure Life prior to the transfer of CBA's stake in BoCommLife. The revised transaction path comprises a joint co-operation agreement, reinsurance arrangements, partnership milestone payments and a statutory asset transfer. The aggregate proceeds for CBA from the transaction are expected to be \$2,375 million. These arrangements are expected to be implemented in a staged manner throughout FY20. The revised transaction path is subject to a number of Australian regulatory approvals, the entry into reinsurance arrangements and life insurance entity board approvals.
- Suspension of the planned demerger of CBA's Wealth Management business, including Colonial First State, Financial Wisdom, Aussie Home Loans, and its minority shareholding in Mortgage Choice. Additionally, CBA announced the sale of its 100% interest in Count Financial Limited to CountPlus Limited, and its decision to proceed

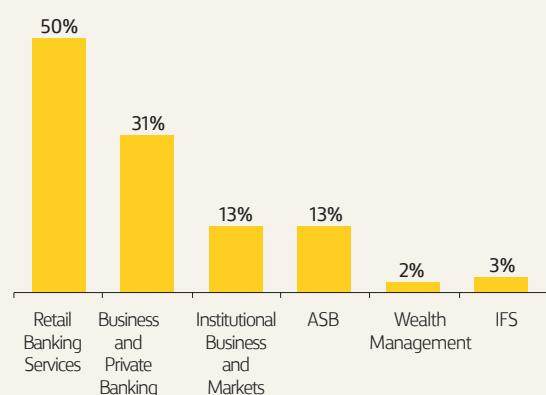
with an assisted closure of Financial Wisdom. The sale of Count Financial Limited completed on 1 October 2019.

• International Financial Services (“IFS”) and Corporate Centre

IFS incorporates the Indonesian retail and business banking operations and associate investments in China and Vietnam. CBA's stake in Vietnam International Bank is under strategic review. CBA has also announced the sale of PT Commonwealth Life in Indonesia with completion subject to regulatory approval.

Corporate Centre includes CBA Group support functions such as Investor Relations, Group Strategy, Secretariat and Treasury.

Business contribution to CBA's net profit after tax¹ for the year ended 30 June 2019



¹ Presented on a continuing operations basis. Excludes Corporate Centre and Other, and therefore does not add to 100%.

3.3 Business strategy of CBA

CBA's purpose is to improve the financial wellbeing of its customers and communities. CBA's purpose provides clear direction to its people and guides its strategy.

CBA's strategy is to become a simpler, better bank that delivers balanced and sustainable outcomes for its customers, community, its people and shareholders. CBA has set three execution priorities: simplify the business; lead in retail and commercial banking; and best in digital. CBA believes these priorities best leverage its competitive advantages and positions it for success.

To deliver on the strategy, CBA is investing in four critical capabilities: operational risk and compliance; cost reduction; data and analytics; and innovation. These capabilities address CBA's operating context and best support performance into the future.

Most importantly, the goal of the strategy is to deliver balanced and sustainable outcomes for CBA's stakeholders.

Further details and examples of strategic initiatives can be found in the 2019 Annual Report, available from the Investor Centre at www.commbank.com.au/annual-reports.

3.4 Financial services industry regulatory environment

There is currently an environment of heightened political scrutiny on the Australian financial services industry, and CBA has been involved in a number of regulatory, legal and industry reviews. This and the extensive regulation CBA is subject to poses regulatory and reputational challenges for CBA.

CBA aims to earn the trust of its customers, regulators and the community, and is seeking to ensure it does not make mistakes which might undermine trust in the future.

The risks to CBA's business from regulatory matters, litigation and reputational damage are outlined in Sections 4.3.1 “CBA is subject to extensive regulation and operates in an environment of political scrutiny, which could adversely impact its operations and financial condition” and 4.3.2 “CBA may be adversely affected by damage to its reputation” and 4.3.11 “CBA's business could be negatively impacted by substantial legal liability or regulatory action”. Examples of some current matters are described below.

(i) APRA Prudential Inquiry into CBA

The Panel appointed by APRA to conduct the independent prudential inquiry into CBA published its final report on 1 May 2018 (“APRA Report”). The APRA Report makes a number of findings regarding the complex interplay of organisational and cultural factors within the CBA Group and the need for enhanced management of non-financial risks. In response to the APRA Report, the CBA Group has acknowledged that it will implement all of the recommendations and has agreed to adjust its minimum operational risk capital requirements by an additional A\$1 billion (risk-weighted assets A\$12.5 billion), until such time as the recommendations are implemented to APRA's satisfaction.

CBA has entered into an Enforceable Undertaking under which CBA's remedial action (“Remedial Action Plan”) in response to the APRA Report would be agreed and regularly monitored by APRA. The Remedial Action Plan provides a detailed program of change outlining how CBA will improve the way it runs its business, manages risk and works with regulators. The Remedial Action Plan also provides a comprehensive assurance framework, with Promontory Australasia (Sydney) Pty Ltd (“Promontory”) having been appointed as the independent reviewer and who is required to report to APRA on the CBA Group's progress against committed milestones every 3 months.

As at 30 June 2019, Promontory has submitted four reports which have been publicly released by CBA. Promontory has noted that the Remedial Action Plan program of work remains on track and CBA's commitment to implementing the APRA's recommendations in a timely and comprehensive way continued to be strong with all 156 milestones on schedule to be delivered by the due date.

As at 30 June 2019, CBA submitted a total of 75 milestones to Promontory for assessment.

The CBA Group has provided for costs associated with the implementation of the Remedial Action Plan.

(ii) AUSTRAC and related proceedings

In October 2017, CBA was served with a shareholder class action proceeding filed in the Federal Court of Australia alleging breaches of CBA's continuous disclosure obligations and misleading and deceptive conduct in relation to the subject matter of the civil penalty proceedings brought by the Australian Transaction Reports and Analysis Centre ("AUSTRAC"). The AUSTRAC proceedings concerned contraventions of the Anti-Money Laundering and Counter Terrorism Financing Act 2006 (Cth) ("AML/CTF Act"). The resolution of the proceedings was approved by the Federal Court on 20 June 2018 with CBA paying a penalty of A\$700 million and legal costs. In the shareholder class action, it is alleged that CBA shareholders who acquired an interest in CBA shares between 1 July 2015 and 3 August 2017 suffered loss caused by the alleged conduct.

On 29 June 2018, a similar second shareholder class action in relation to the matter of the AUSTRAC proceedings was served on CBA on behalf of certain CBA shareholders who acquired an interest in CBA shares between 16 June 2014 and 3 August 2017. On 10 July 2019, court orders were made confirming the two class action proceedings would continue and would be case managed together and proceed by way of one harmonised statement of claim.

It is currently not possible to determine the ultimate impact of these claims, if any, on the CBA Group. The CBA Group denies the allegations and continues to defend both claims. The CBA Group has provided for legal costs expected to be incurred in the defence of the claims.

(iii) The Royal Commission

The Royal Commission was established on 14 December 2017 and was authorised to inquire into misconduct by financial service entities (including CBA). Seven rounds of hearings into misconduct in the banking and financial services industry were held throughout 2018, covering a variety of topics including consumers and business lending, financial advice, superannuation, insurance and policy round. The Royal Commission's final report was delivered on 1 February 2019. The final report included 76 policy recommendations to the Australian Government and findings in relation to the case studies investigated during hearings, with a number of referrals being made to regulators for misconduct by financial institutions, which is expected to result in heightened levels of enforcement action across the industry.

The 76 recommendations covered many of CBA's business areas and also canvassed the role of the regulators and the approach to be taken to customer focus, culture and remuneration. The recommendations regarding the role of regulators and their approach to enforcement may increase

enforcement activity, costs and reputational impact for financial institutions. CBA released a statement to the ASX on 8 March 2019 welcoming the final report and committing to actions to deliver the recommendations. The Government has accepted 75 of the 76 recommendations.

(iv) Other industry-wide regulatory reforms and political developments

Other industry-wide regulatory reforms and political developments include the comprehensive credit reporting and open banking regimes, the Banking Executive Accountability Regime which took effect from 1 July 2018, and the new Banking Code of Practice approved by ASIC which took effect from 1 July 2019.

Further detail on the matters described in this Section 3.4 and other updates on legal, regulatory and industry levels are included in the 2019 Annual Report and Note 7.1 to the Financial Statements in the Profit Announcement and for the full year ended 30 June 2019.

The 2019 Annual Report and the Profit Announcement for the full year ended 30 June 2019 are available from the Investor Centre at www.commbank.com.au/results and www.commbank.com.au/annual-reports.

3.5 Directors of CBA

The CBA Board of Directors are:

- Catherine Livingstone AO, Chairman
- Matt Comyn, Managing Director and Chief Executive Officer
- Shirish Apte
- Professor Genevieve Bell
- Sir David Higgins
- Paul O'Malley
- Mary Padbury
- Wendy Stops
- Anne Templeman-Jones
- Robert Whitfield

On 13 May 2019, CBA announced that Sir David Higgins will retire as a non-executive director on 31 December 2019.

The Board's role and responsibilities are set out in the Board Charter. The Board Charter and further information on the Directors can be found at www.commbank.com.au/corporategovernance.

3.6 Management of the businesses of CBA

The senior managers of the businesses of CBA include:

- Matt Comyn, Managing Director and Chief Executive Officer
- David Cohen, Deputy Chief Executive Officer
- Adam Bennett, Group Executive, Business and Private Banking
- Pascal Boillat, Group Executive, Enterprise Services, and Chief Information Officer

- Priscilla Sims Brown, Group Executive Marketing and Corporate Affairs
- Alan Docherty, Group Executive, Financial Services, and Chief Financial Officer
- Andrew Hincliff, Group Executive, Institutional Banking and Markets
- Sian Lewis, Group Executive, Human Resources
- Vittoria Shortt, Chief Executive Officer, ASB
- Angus Sullivan, Group Executive, Retail Banking Services
- Nigel Williams, Group Chief Risk Officer
- Scott Wharton, Group Executive, Program Delivery

On 23 August 2019, CBA announced the appointment of Carmel Mulhern as Group Executive Group General Counsel and Governance from January 2020. Until that time, David Cohen, Deputy CEO, has assumed the interim responsibility of Group General Counsel.

Further information about CBA's management can be found in the section entitled "Our Company" at www.commbank.com.au/about-us/who-we-are/our-company.html.

3.7 Corporate governance of CBA

Strong corporate governance is critical in supporting CBA to fulfil its purpose.

CBA strives for a high standard of governance and is focused on strengthening its governance to achieve better customer and risk outcomes. CBA's corporate governance arrangements and practices are regularly refined in light of new laws, evolving stakeholder expectations and the dynamic environment in which it operates.

CBA's governance arrangements and practices follow the recommendations set out in the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Further information about CBA's governance arrangements and practices, including the 2019 Corporate Governance Statement, can be found at www.commbank.com.au/corporategovernance.

3.8 Financial information about CBA

You should focus on the financial position of CBA when deciding to invest in PERLS XII.

CBA's consolidated income statements and balance sheets for the full years ended 30 June 2019, 30 June 2018 and 30 June 2017 are summarised in Sections 3.8.4 "Consolidated income statement" and 3.8.5 "Consolidated balance sheet".

Consistent with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', a number of businesses within the CBA Group have been reported as discontinued operations. Discontinued operations represent a major business or division that CBA plans to sell or close within the next 12 months, or that has already been sold or closed.

Businesses classified as discontinued at 30 June 2019 included CommInsure Life, Sovereign, BoCommLife, CFSGAM, PT Commonwealth Life, and TymeDigital SA. The sale of CFSGAM completed on 2 August 2019.

Information in Sections 3.8.1 and 3.8.2 is presented including discontinued operations. In Sections 3.8.6 and 3.8.7, regulatory information (including capital, leverage, NSFR and LCR) is also presented including discontinued operations. All other information in Section 3.8, unless otherwise identified, is presented on a continuing operations basis only.

The financial information presented in this section has been presented in abbreviated form. It does not contain all of the disclosures usually provided in an annual report or full year financial report prepared in accordance with the Corporations Act. In particular, the consolidated income statement and consolidated balance sheet have been extracted from the Profit Announcement for the full year ended 30 June 2019, and the 2019 and 2018 Annual Reports.

The Profit Announcement for the full year ended 30 June 2019 and the 2019 Annual Report are available from the Investor Centre at www.commbank.com.au/results and www.commbank.com.au/annual-reports.

3.8.1 Capital adequacy

3.8.1.1 Capital generally

CBA is an ADI regulated by APRA and other regulatory bodies. APRA generally follows the principles for banking supervision developed by the Basel Committee on Banking Supervision ("BCBS").

Under the principles known as "Basel I", "Basel II" and "Basel III", an ADI is currently required to hold a certain level of regulatory capital against its risk-weighted assets ("RWA") in order for such capital to absorb losses which an ADI may incur from time to time, and therefore protect depositors from realising such losses.

CET1 Capital comprises ordinary share capital, retained earnings and certain other items recognised as capital, less prescribed deductions. The ratio of such capital to RWA is called the CET1 Capital Ratio.

Tier 1 Capital comprises CET1 Capital plus certain equity-like securities (such as PERLS XII). The ratio of such capital to RWA is called the Tier 1 Capital ratio.

Tier 2 Capital comprises certain securities having features eligible to be recognised as Tier 2 Capital.

The strongest and most loss absorbent form of capital is CET1 Capital, followed by other Tier 1 Capital and then Tier 2 Capital.

The sum of Tier 1 Capital and Tier 2 Capital is called Total Capital. The ratio of Total Capital to RWA is called the Total Capital ratio.

Generally, higher capital ratios indicate an ADI's financial strength which is critical to the ADI's ability to refinance its debt, including Tier 1 securities such as PERLS XII in the future.

Under Basel III, an ADI is required to have a minimum CET1 Capital Ratio of 4.5% which applies to both the ADI's Level 1 Group and Level 2 Group. APRA may also determine that an Australian bank is required to hold an additional amount of capital above the 4.5% minimum requirement, and the total of the 4.5% minimum requirement and any additional amount required is called the prudential capital requirement ("PCR"). CBA has held capital at levels above these minimums and intends to hold capital above these minimums in the future.

An ADI is required to maintain a capital conservation buffer ("CCB") in the form of CET1 Capital equal to 2.5% of RWA, unless APRA determines otherwise.

For domestic systemically important banks ("D-SIB"), such as CBA, APRA currently requires a 1% D-SIB buffer, raising the CCB to at least 3.5%. This makes the total CET1 Capital requirement for a D-SIB equal to a minimum of 8%.

APRA also has the discretion to apply an additional countercyclical capital buffer to all banks with an indicative range of between 0% and 2.5% of CET1 Capital. If applicable, this forms part of the CCB. APRA has currently set the countercyclical capital buffer applicable to Australian exposures at 0%.

References to the minimum total CET1 Capital requirement applicable under APRA's prudential standards are to general minimums applying under the APRA prudential standards, rather than specific minimums applying to CBA.

In addition, the Leverage Ratio will act as a supplementary measure to the other capital requirements and is defined as an ADI's Tier 1 Capital divided by that ADI's total exposures (on and off balance sheet exposures).

CBA Level 2 CET1 Capital levels and 4.5% minimum requirements¹

	CET1 Capital Ratio	CET1 Capital (A\$bn)	Minimum CET1 Capital Ratio	Minimum CET1 Capital (A\$bn)	Surplus above minimum CET1 Capital Ratio	Surplus CET1 Capital (A\$bn)
30 June 2019	10.7%	48.4	4.5%	20.4	6.2%	28.0
31 December 2018	10.8%	48.0	4.5%	20.0	6.3%	28.0
30 June 2018	10.1%	46.5	4.5%	20.6	5.6%	25.9
31 December 2017	10.4%	45.9	4.5%	19.8	5.9%	26.1
30 June 2017	10.1%	44.2	4.5%	19.7	5.6%	24.5

¹ Does not include the CCB. For a comparison including the CCB, see the table entitled "CBA Level 2 CET1 Capital levels and 8% minimum requirements" on page 40.

As at 30 June 2019, CBA's Level 2 CET1 Capital Ratio was 10.7%, this means that, for every A\$1 of RWA it had, it held A\$0.107 of capital in the form of CET1 Capital.

CBA's Level 1 CET1 Capital Ratio was 11.2% as at 30 June 2019, which equates to a surplus of approximately A\$28.4 billion above the minimum CET1 Capital Ratio.

3.8.1.2 Capital Trigger Event

Under Basel III, Tier 1 securities (such as PERLS XII) must include a Capital Trigger Event.

A Capital Trigger Event may occur if either or both the CBA Level 1 CET1 Capital Ratio or CBA Level 2 CET1 Capital Ratio as calculated under APRA's approach is equal to or less than 5.125% (see Section 4.2.5 "A Capital Trigger Event or Non-Viability Trigger Event may occur"). CBA has held CET1 Capital at levels above 5.125% and intends to hold capital above this level in the future.

The table below discloses CBA's Level 2 CET1 Capital levels.

CBA Level 2 CET1 Capital levels and capital trigger

	CET1 Capital Ratio	CET1 Capital (A\$bn)	Capital Trigger Event	Capital Trigger Event level (A\$bn)	Surplus above Capital Trigger Event	Surplus CET1 Capital (A\$bn)
30 June 2019	10.7%	48.4	5.125%	23.2	5.6%	25.2
31 December 2018	10.8%	48.0	5.125%	22.8	5.7%	25.2
30 June 2018	10.1%	46.5	5.125%	23.5	5.0%	23.0
31 December 2017	10.4%	45.9	5.125%	22.6	5.3%	23.3
30 June 2017	10.1%	44.2	5.125%	22.4	5.0%	21.8

CBA's Level 1 CET1 Capital Ratio was 11.2% as at 30 June 2019, which equates to a surplus of approximately A\$25.7 billion above the Capital Trigger Event level.

3.8.1.3 Potential impact of falling into the capital conservation buffer

Restrictions on the proportion of profits that can be used to pay Ordinary Share dividends, Tier 1 Capital distributions and discretionary staff bonuses will apply if an ADI's CET1 Capital Ratio falls into the ADI's CCB. The percentage of earnings able to be used for discretionary payments depends on whether the ADI is operating above the CCB or has fallen into the buffer outlined in the table below entitled "Capital conservation buffer rules".

Capital conservation buffer rules¹

CET1 Capital Ratio	Value range	% of earnings able to be used for discretionary payments
Above top of CCB	Greater than PCR + 3.5%	100%
4th Quartile	Top of range: PCR + 3.5% Bottom of range: greater than PCR + 2.625%	60%
3rd Quartile	Top of range: PCR + 2.625% Bottom of range: greater than PCR + 1.75%	40%
2nd Quartile	Top of range: PCR + 1.75% Bottom of range: greater than PCR + 0.875%	20%
1st Quartile	Top of range: PCR + 0.875% Bottom of range: PCR	0%
Prudential capital requirement²	Less than PCR	0%

1 Above example assumes the total CCB (including the D-SIB buffer of 1% and countercyclical capital buffer of 0%) is 3.5%.

2 4.5% minimum plus any additional amount required by APRA.

CBA Level 2 CET1 Capital levels and 8% minimum requirements¹

	CET1 Capital Ratio	CET1 Capital (A\$bn)	Minimum CET1 Capital Requirement at 8% (A\$bn) ¹	Minimum CET1 Capital (A\$bn) ¹	Surplus above Minimum CET1 Capital Ratio ¹	Surplus CET1 Capital (A\$bn)
30 June 2019	10.7%	48.4	8%	36.2	2.7%	12.2
31 December 2018	10.8%	48.0	8%	35.6	2.8%	12.4
30 June 2018	10.1%	46.5	8%	36.7	2.1%	9.8
31 December 2017	10.4%	45.9	8%	35.3	2.4%	10.6
30 June 2017	10.1%	44.2	8%	35.0	2.1%	9.2

¹ Includes the CCB.

CBA's Level 1 CET1 Capital Ratio was 11.2% as at 30 June 2019, which equates to a surplus of approximately A\$13.6 billion above the minimum CET1 Capital requirement.

As outlined above, discretionary payments (such as Distributions on PERLS XII) may not be paid if an ADI's CET1 Capital Ratio falls into the CCB. Distributions that are not paid do not accrue and will not be subsequently paid.

3.8.1.4 Leverage Ratio

The Leverage Ratio represents the amount of Tier 1 Capital the CBA Level 2 Group holds against its exposures. This is a supplementary measure to the other capital requirements. Such capital absorbs losses which CBA may incur from time to time and protects depositors from realising such losses. Generally, a higher leverage ratio indicates CBA's financial strength which is critical to CBA's ability to refinance its debt, including PERLS XII in the future.

As at 30 June 2019, CBA's Leverage Ratio was 5.6%. This means that, for every A\$1 of exposures it had, it held A\$0.056 of capital in the form of Tier 1 Capital.

3.8.1.5 Regulatory developments

APRA has implemented a number of actions in response to the Financial System Inquiry ("FSI") Final Report of December 2014, including the report's recommendation that Australian ADIs be required to operate with 'unquestionably strong' capital ratios.

In July 2017, APRA released an information paper "Strengthening banking system resilience – establishing unquestionably strong capital ratios" in relation to establishing the quantum of capital required for the Australian banking sector to have capital ratios that are 'unquestionably strong'. APRA stated in the paper that in order to meet the objective of having 'unquestionably strong' capital ratios, Australia's major banks would need to operate with an average benchmark ratio of CET1 Capital to RWA of 10.5% or more by 1 January 2020.

Separately, on 7 December 2017, the BCBS finalised the Basel III bank capital framework "Basel III: Finalising post-crisis reforms" confirming new measures designed to address deficiencies in the international regulatory

capital framework following the global financial crisis, primarily focused on addressing excessive variability in RWA, and therefore capital requirements, across banks.

In response, on 14 February 2018, APRA released a discussion paper titled "Discussion Paper – Revisions to the capital framework for authorised deposit-taking institutions" ("Capital Framework Discussion Paper") to commence its consultation on revisions to the capital framework. The Capital Framework Discussion Paper outlines the main components of the revisions APRA expects to make to the risk-based capital requirements for ADIs using the advanced and standardised approach to credit, market and operational risk. APRA has since released draft prudential standards on the standardised approach to measuring credit and operational risk. In addition, APRA has proposed a simpler method for calculating capital requirements for residential mortgages measured under the internal ratings based ("IRB") approach. APRA has also indicated that it will consult on the prudential standards affecting the measurement of capital (APS111) in 2019.

Amongst other things, the Capital Framework Discussion Paper seeks to address systemic concentration of ADI portfolios in residential mortgages and the proposals seek to target higher-risk residential mortgage lending, including investment and interest only loans.

APRA has stated that it expects the overall impact of the proposals in the Capital Framework Discussion Paper to be a net increase in ADIs' RWA. APRA has noted that all else being equal, this will reduce an ADI's reported capital ratios, even though there is no change to the ADI's underlying risk profile or to the quantum of capital required to achieve capital ratios that are 'unquestionably strong'.

In August 2018, APRA released a second discussion paper titled "Discussion paper – Improving the transparency, comparability and flexibility of the ADI capital framework" ("Transparency, Comparability and Flexibility Discussion Paper"). APRA proposes two key approaches for achieving comparability, without changing the quantum or allocation of capital.

- The first approach is similar to current practices, but would result in two APRA-endorsed capital ratios. ADIs would continue to determine regulatory capital ratios using APRA's definitions of capital and RWA, and this ratio would be compared to minimum requirements. A second capital ratio would also be calculated and disclosed in accordance with a prescribed APRA methodology. APRA proposes that this second ratio is a disclosure-only capital ratio, primarily for international comparison.
- The second approach will result in only one set of APRA regulatory capital ratios that are more internationally harmonised than the current approach, or the first approach. This will be achieved by removing certain aspects of APRA's relative conservatisms from an ADIs' capital ratio calculations and lifting minimum regulatory capital ratio requirements in tandem. This may be achieved via a capital overlay at each tier of capital (CET1, Tier 1 and Total Capital). APRA has noted that adoption of this approach would need to consider the alteration of the loss absorption trigger point of 5.125% for Tier 1 Capital securities (such as PERLS XII).

The outcome of these discussion papers, and the overall review of the capital framework, will determine whether APRA may recalibrate the benchmark 10.5% CET1 Capital Ratio applicable to major banks. However, APRA's expectation is that any change will not necessitate additional capital raisings by ADIs nor alter the risk sensitivity of capital requirements. APRA's intention is that the quantum of capital required to be held by ADIs under the revised capital framework can be accommodated within the amount of capital they would have needed to hold to meet the 10.5% benchmark CET1 Capital Ratio by January 2020.

Revisions to APRA's prudential standards will be subject to consultation before becoming effective from 1 January 2021 for operational risk and from 1 January 2022 for all other reforms. This implementation timeframe is also subject to consultation.

Consistent with CBA's approach to capital management, CBA intends to maintain 'unquestionably strong' capital ratios through a range of initiatives, including organic capital generation, a focus on financial strength and announced asset sales (see Section 3.8.1.6 "CBA's approach to capital management" and Section 3.2 "Businesses of CBA").

In addition to the revisions to the capital framework, APRA is implementing other capital related FSI recommendations, including a framework for minimum loss-absorbing and recapitalisation capacity and the introduction of a minimum Leverage Ratio requirement for ADIs.

On 14 February 2018, APRA released a discussion paper titled "Discussion Paper – Leverage ratio requirements for authorised deposit-taking institutions" ("Leverage Ratio Discussion Paper"). Following consultation, in November 2018, APRA announced that it would set a minimum Leverage Ratio requirement of 3.5% for IRB ADIs, including CBA, which will apply from 1 January 2022.

On 9 July 2019, APRA released its response to the submissions for the November 2018 discussion paper titled "Discussion Paper – increasing the loss-absorbing capacity ("LAC") of ADIs to support orderly resolution", APRA confirmed that the Australian LAC regime will be established under the existing capital framework. For D-SIBs, including CBA, APRA will require an increase in the Total Capital requirement by 3% of RWA, effective 1 January 2024. APRA further noted that its long term target of 4% to 5% of LAC remains unchanged and it will consider feasible alternative methods for raising the additional 1% to 2% over the next four years, in consultation with industry and other stakeholders.

The Reserve Bank of New Zealand is undertaking a comprehensive review of the capital adequacy framework applying to registered banks in New Zealand. The latest consultation paper titled "Capital Review Paper 4: How much capital is enough?" released in December 2018 includes proposals to increase New Zealand IRB banks' RWA to 90% of standardised RWA and to increase the minimum Tier 1 capital requirement for banks which are deemed systemically important to 16% of RWA (currently 8.5%). Consultation on the proposals is now closed with final policy decisions expected in November 2019. If implemented as proposed, these reforms may result in an increase in CBA's investment in ASB. However, the potential capital increase is not expected to impact reported CET1 Capital Ratios for the CBA Group and is manageable at the CBA Parent Bank level. Sufficient capacity exists under APRA's new reduced limits for ADI's exposures to related entities, including for the additional capital requirement proposed by the RBNZ.

Further information about regulatory developments can be found in the section entitled "Capital" in the Profit Announcement for the full year ended 30 June 2019 which is available from the Investor Centre at www.commbank.com.au/results.

3.8.1.6 CBA's approach to capital management

CBA conservatively but proactively manages its capital position to avoid breaching the minimum capital requirements and to ensure it has sufficient capital to manage future growth. The Board and management are responsible for the setting of internal capital minimums and targets to ensure that CBA's capital is prudently above APRA's minimum capital requirements.

CBA also conducts internal assessments of the appropriate level of capital to hold, and regularly stress-tests various scenarios to ensure that it holds sufficient capital to withstand such stresses. It takes into consideration the level of capital held by peer banks, both domestic and global.

CBA issues securities such as PERLS XII to satisfy its Tier 1 Capital requirements and provide flexibility for future growth.

Further information about CBA's approach to capital management can be found in the section entitled "Capital" in the Profit Announcement for the full year ended 30 June 2019 which is available from the Investor Centre at www.commbank.com.au/results.

3.8.2 Funding and liquidity

3.8.2.1 Funding

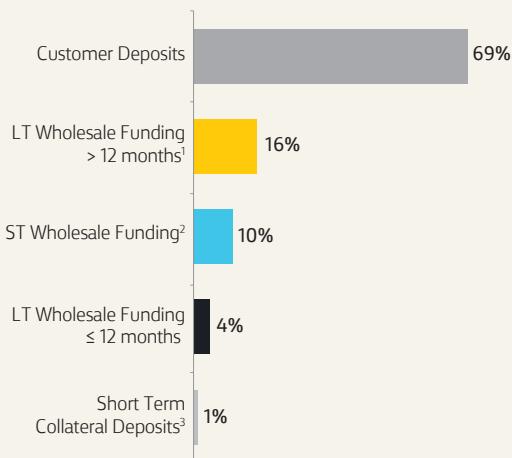
CBA raises customer deposits as well as long-term and short-term wholesale debt to fund its business activities, including lending. Customer deposits include transaction, savings and investment deposits raised from retail, business and institutional clients, predominantly in Australia. Long-term and short-term wholesale debt are raised both in Australia and overseas. CBA conservatively but proactively manages the amount, tenor and mix of its funding to ensure it has sufficient funding for its current business activities and to manage future growth.

It also manages its wholesale debt maturities to ensure that it is able to repay or refinance its liabilities when they fall due.

Under APRA's liquidity prudential standard, CBA is required to comply with a Net Stable Funding Ratio ("NSFR") requirement to have sufficient stable funding held against core assets. APRA prescribed factors are used to determine the stable funding requirement of assets and the stability of funding. Under APRA's liquidity prudential standard, CBA must maintain an NSFR of at least 100%.

As at 30 June 2019, CBA's NSFR was 112%. This means that, for every A\$1 of core assets, it held A\$1.12 of stable funding.

CBA's Funding Composition as at 30 June 2019

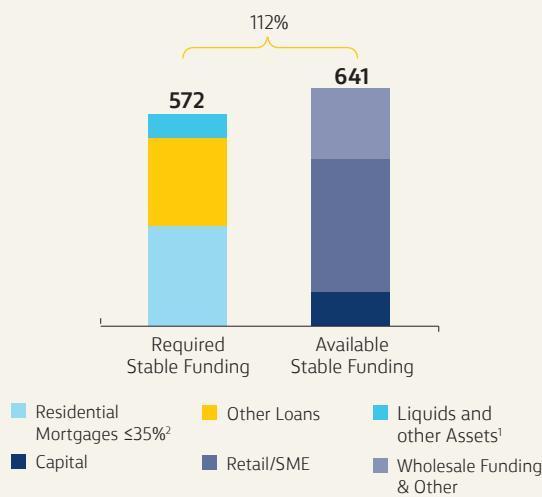


- 1 Includes IFRS mark-to-market and derivative foreign exchange revaluations.
- 2 Includes deposits from banks and central banks as well as net repurchase agreements.
- 3 Includes net collateral received and the amount of internal Residential Mortgage Backed Securities (RMBS) pledged with the Reserve Bank of Australia to facilitate intra-day cash flows in the Exchange Settlement Account (ESA).

CBA's Term Wholesale Funding profile as at 30 June 2019 (A\$bn)



CBA's Net Stable Funding Ratio as at 30 June 2019 (A\$bn)



1 'Other assets' includes non-performing loans, off-balance sheet items, net derivatives and other assets.

2 This represents residential mortgages with risk weighting ≤ 35% under APRA Prudential Standard APS112 Capital Adequacy: Standardised Approach to Credit Risk.

3.8.2.2 Liquidity

CBA ensures that it has sufficient cash, liquid assets (marketable securities and repo-eligible securities) to ensure that it is able to repay its short term liabilities, including repaying deposits, when they fall due.

Under APRA's liquidity prudential standard, CBA is required to comply with a Liquidity Coverage Ratio ("LCR") requirement to hold sufficient liquid assets to cover net cash outflows projected under a 30 day stress scenario. Under APRA's liquidity prudential standard, CBA must maintain an LCR of at least 100%.

As at 30 June 2019, CBA's quarterly average LCR was 132%. This means that, for every A\$1 of potential net cash outflow, it held A\$1.32 of liquid assets.

3.8.3 Explanation of CBA's revenue model

CBA's banking businesses primarily earn their revenue from the interest and fees charged for loans. Some banking businesses, such as Institutional Banking and Markets, earn fees for services performed for customers.

The funds administration businesses earn fees for funds administration and advice services performed for customers.

The insurance businesses earn premiums in relation to general insurance provided to customers. Part of those premiums are invested in anticipation of future liabilities and therefore the revenue of these businesses also includes investment earnings.

The below two ratios are examples of ratios that measure the performance of CBA's businesses:

- **Operating expense to total operating income ratio**

The operating expense to total operating income ratio represents CBA's operating expenses as a percentage of total operating income. All else being equal, a lower operating expense to total operating income ratio indicates that more total operating income may be available to pay Distributions.

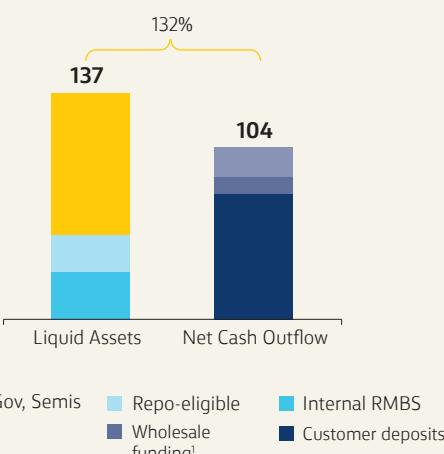
For the twelve months to 30 June 2019, CBA's operating expense to total operating income ratio ("cash basis") was 46.2%. This means that, for every A\$1 of operating income it earned, it had operating expenses of A\$0.462.

- **Return on equity ratio**

The return on equity ratio represents CBA's net profit after tax as a percentage of its average shareholders' equity. Generally, a higher return on equity ratio indicates that more profit may be available to pay Distributions.

For the twelve months to 30 June 2019, CBA's return on equity ratio ("cash basis") was 12.5%. This means that, for every A\$1 of shareholders' equity it held, it earned net profit after tax of A\$0.125.

CBA's Liquidity Coverage Ratio as at 30 June 2019 (A\$bn)²



- 1 Includes all interbank deposits that are included as short-term wholesale funding.
- 2 Liquidity Coverage Ratio presented as a simple average of daily observations over the previous quarter.

3.8.4 Consolidated income statement

	Full Year Ended 30 June 2019 A\$M ²	Full Year Ended 30 June 2018 A\$M ^{1,2}	Full Year Ended 30 June 2017 A\$M ^{1,2}
Interest income	34,588	34,144	33,195
Interest expense	(16,468)	(15,802)	(15,649)
Net interest income	18,120	18,342	17,546
Other banking income	4,994	5,423	5,721
Net banking operating income	23,114	23,765	23,267
Net funds management operating income	1,073	1,124	1,038
Net insurance operating income	150	241	178
Total net operating income before impairment and operating expenses	24,337	25,130	24,483
Loan impairment expense	(1,201)	(1,079)	(1,095)
Operating expenses	(11,373)	(11,029)	(10,133)
Net profit before tax	11,763	13,022	13,255
Corporate tax expense	(3,391)	(3,952)	(3,784)
Net profit after tax from continuing operations	8,372	9,070	9,471
Non-controlling interests in net profit after income tax from continuing operations	(12)	(13)	(13)
Net profit attributable to equity holders of CBA from continuing operations	8,360	9,057	9,458
Net profit after income tax from discontinued operations ³	218	278	481
Non-controlling interest in discontinued operations	(7)	(6)	(11)
Net profit attributable to equity holders of CBA	8,571	9,329	9,928

- 1 Information has been restated and presented on a continuing operations basis. Discontinued operations include the CBA Group's life insurance businesses in Australia and New Zealand, its 37.5% equity interest in BoCommLife, PT Commonwealth Life, CFSGAM and TymeDigital SA. On 23 August 2019, CBA announced a revised transaction path to complete the sale of CommInsure Life. For details of the transaction refer to Section 3.2 "Businesses of CBA".
- 2 Current year amounts reflect the adoption of AASB 9 'Financial Instruments' and AASB 15 'Revenue from contracts with customers' on 1 July 2018. As permitted by AASB 9 and AASB 15, comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15, refer to Note 11 of the 2019 Annual Report.
- 3 The sale of CFSGAM completed on 2 August 2019. CFSGAM's Cash NPAT contribution in full year ended 30 June 2019 was \$240m (FY18: \$292m and FY17: \$279m).

3.8.5 Consolidated balance sheet

	As at 30 June 2019	As at 30 June 2018	As at 30 June 2017
	A\$M ^{1,2,4}	A\$M ²	A\$M ^{2,3}
Assets			
Cash and liquid assets	29,387	36,417	45,850
Receivables due from other financial institutions	8,093	9,222	10,037
Assets at fair value through Income Statement:			
Trading	32,506	32,254	32,704
Insurance	-	372	13,669
Other	1,171	258	1,111
Derivative assets	25,215	32,133	31,724
Investment securities:			
At amortised cost	7,355	-	-
At fair value through other comprehensive income	78,912	-	-
Available-for-sale investments	-	82,240	83,535
Loans, bills discounted and other receivables	755,141	743,365	731,762
Bank acceptances of customers	32	379	463
Property, plant and equipment	2,383	2,576	3,873
Investment in associates and joint ventures	3,001	2,842	2,778
Intangible assets	7,965	9,090	10,024
Deferred tax assets ²	1,675	1,439	906
Other assets	7,115	6,924	7,882
Assets held for sale	16,551	15,654	-
Total assets	976,502	975,165	976,318
Liabilities			
Deposits and other public borrowings	636,040	622,234	626,655
Payables due to other financial institutions	23,370	20,899	28,432
Liabilities at fair value through Income Statement	8,520	10,247	10,392
Derivative liabilities	22,777	28,472	30,330
Bank acceptances	32	379	463
Current tax liabilities	326	952	1,450
Deferred tax liabilities	-	-	332
Other provisions	2,751	1,860	1,780
Insurance policy liabilities	-	451	12,018
Debt issues	163,990	172,294	167,571
Managed funds units on issue	-	-	2,577
Bills payable and other liabilities	10,285	11,625	11,932
Liabilities held for sale	15,796	14,900	-
	883,887	884,313	893,932
Loan capital	22,966	22,992	18,726
Total liabilities	906,853	907,305	912,658
Net assets	69,649	67,860	63,660
Shareholders' Equity			
Ordinary share capital	38,020	37,270	34,971
Reserves	3,092	1,676	1,869
Retained profits ²	28,482	28,360	26,274
Shareholders' Equity attributable to equity holders of CBA	69,594	67,306	63,114
Non-controlling interests	55	554	546
Total Shareholders' Equity	69,649	67,860	63,660

- 1 Current year balances have been impacted by the announced sale of CFSGAM, PT Commonwealth Life, Count Financial and completed sales of Sovereign and TymeDigital SA. For details on the CBA Group's discontinued operations, refer to Note 11.3 of the 2019 Annual Report.
- 2 Current year balances reflect the adoption of AASB 9 'Financial Instruments' and AASB 15 'Revenue from contracts with customers' on 1 July 2018. As permitted by AASB 9 and AASB 15 comparative information has not been restated. For details on the adoption of AASB 9 and AASB 15, refer to Note 1.1 of the 2019 Annual Report.
- 3 30 June 2017 balances are as presented in the 2018 Annual Report, information has not been restated to conform to presentation in the current period.
- 4 No pro forma adjustment has been made for the impact of the revised transaction path to complete the sale of CommlnSure Life announced on 23 August 2019 or the completion of the sale of PT Commonwealth Life. Completion of either of these transactions may have an impact on CBA's financial position. For details of the transactions refer to Section 3.2 "Businesses of CBA".

3.8.6 Summary of financial ratios

The ASIC Guidance suggests some financial ratios which may assist you to determine a company's financial capacity to pay interest, and repay the face value, on a bond. CBA does not calculate these ratios as they would not provide meaningful assistance given the nature of CBA's business which is different to companies outside the financial services industry. Nevertheless, CBA calculates the ratios set out in the following table which may provide assistance.

See Sections 3.8.1 "Capital adequacy", 3.8.2 "Funding and liquidity" and 3.8.3 "Explanation of CBA's revenue model" for detailed explanations of these ratios.

Relevant financial ratios as at 30 June 2019

	Full Year Ended 30 June 2019	Full Year Ended 30 June 2018	Full Year Ended 30 June 2017	Potential impact on PERLS XII
Operating Expense to Total Operating Income Ratio ("cash basis")	46.2%	44.1% ¹	41.6% ^{1,3}	If the operating expense to total operating income ratio is too high, it may indicate that there is a risk that CBA may not be able to pay Distributions.
Return on Equity Ratio ("cash basis")	12.5%	13.6% ¹	15.3% ^{1,3}	If the return on equity ratio is too low, it may indicate that there is a risk that CBA may not be able to pay Distributions.
CET1 Capital Ratio ²	10.7%	10.1%	10.1%	If the capital ratios are too low, it may indicate that CBA may not be able to elect to Redeem PERLS XII in the future.
Tier 1 Capital Ratio ²	12.7%	12.3%	12.1%	
Total Capital Ratio ²	15.5%	15.0%	14.2%	
Leverage Ratio	5.6%	5.5%	5.1%	If the Leverage Ratio is too low, it may indicate that CBA may not be able to elect to Redeem PERLS XII in the future.
Net Stable Funding Ratio	112%	112%	107%	If the NSFR is too low, it may indicate that CBA may not be able to elect to Redeem PERLS XII in the future.
Liquidity Coverage Ratio ⁴	132%	133%	135%	If the LCR is too low, it may indicate that CBA may not be able to elect to Redeem PERLS XII in the future.

¹ Information has been restated and presented on a continuing operations basis. Discontinued operations include the CBA Group's life insurance businesses in Australia and New Zealand, its 37.5% equity interest in BoCommLife, PT Commonwealth Life, CFSGAM and TymeDigital SA. On 23 August 2019, CBA announced a revised transaction path to complete the sale of CommInsure Life. For details of the transaction refer to Section 3.2 "Businesses of CBA".

² Level 2 capital ratio.

³ Comparative information for the year ended 30 June 2017 are presented as reported in the 2019 Annual Report.

⁴ LCR presented as a simple average of daily observations over the previous quarter.

3.8.7 Impact of the Offer on CBA

The Offer raises Tier 1 Capital to satisfy CBA's regulatory capital requirements and maintain the diversity of CBA's sources and types of funding.

The net proceeds of the Offer will be used to fund CBA's business. The Offer will not have a material impact on CBA's cash flow.

The following pro forma adjustments show the changes that would be made to CBA's consolidated balance sheet as at 30 June 2019 assuming the Offer was completed, A\$750 million of PERLS XII were issued and issue costs of A\$12 million were incurred on 30 June 2019. CBA has the ability to raise more or less than A\$750 million of PERLS XII.

Consolidated pro forma balance sheet as at 30 June 2019^{1,2,3}

	As reported A\$M	Pro forma adjustment	Pro forma A\$M
Assets			
Cash and liquid assets	29,387	738	30,125
Receivables due from other financial institutions	8,093		8,093
Assets at fair value through Income Statement:			
Trading	32,506		32,506
Insurance	-		-
Other	1,171		1,171
Derivative assets	25,215		25,215
Investment securities			
At amortised cost	7,355		7,355
At fair value through other comprehensive income	78,912		78,912
Available-for-sale investments	-		-
Loans, bills discounted and other receivables	755,141		755,141
Bank acceptances of customers	32		32
Property, plant and equipment	2,383		2,383
Investment in associates and joint ventures	3,001		3,001
Intangible assets	7,965		7,965
Deferred tax assets	1,675		1,675
Other assets	7,115		7,115
Assets held for sale	16,551		16,551
Total assets	976,502	738	977,240
Liabilities			
Deposits and other public borrowings	636,040		636,040
Payables due to other financial institutions	23,370		23,370
Liabilities at fair value through Income Statement	8,520		8,520
Derivative liabilities	22,777		22,777
Bank acceptances	32		32
Current tax liabilities	326		326
Deferred tax liabilities	-		-
Other provisions	2,751		2,751
Insurance policy liabilities	-		-
Debt issues	163,990		163,990
Managed funds units on issue	-		-
Bills payable and other liabilities	10,285		10,285
Liabilities held for sale	15,796		15,796
	883,887		883,887
Loan capital	22,966	738	23,704
Total liabilities	906,853	738	907,591
Net assets	69,649		69,649
Shareholders' Equity			
Ordinary share capital	38,020		38,020
Reserves	3,092		3,092
Retained profits	28,482		28,482
Shareholders' Equity attributable to Equity holders of CBA	69,594		69,594
Non-controlling interests	55		55
Total Shareholders' Equity	69,649		69,649

- 1 Current year balances have been impacted by the announced sale of CFSGAM, PT Commonwealth Life, Count Financial and completed sales of Sovereign and TymeDigital SA. No pro forma adjustment has been made for the completed sale of CFSGAM on 2 August 2019.
- 2 No pro forma adjustment has been made for the impact of the payment of the final dividend for the year ended 30 June 2019 of \$2.31 per Ordinary Share amounting to \$4,089m, which was paid on 26 September 2019.
- 3 No pro forma adjustment has been made for the impact of the revised transaction path to complete the sale of CommInsure Life announced on 23 August 2019 or the completion of the sale of PT Commonwealth Life. Completion of either of these transactions may have an impact on CBA's financial position. For details of the transactions refer to Section 3.2 "Businesses of CBA".

The following pro forma adjustments show the changes that would be made to relevant financial ratios as at 30 June 2019 assuming the Offer was completed, A\$750 million of PERLS XII were issued and issue costs of A\$12 million were incurred on 30 June 2019. CBA has the ability to raise more or less than A\$750 million of PERLS XII.

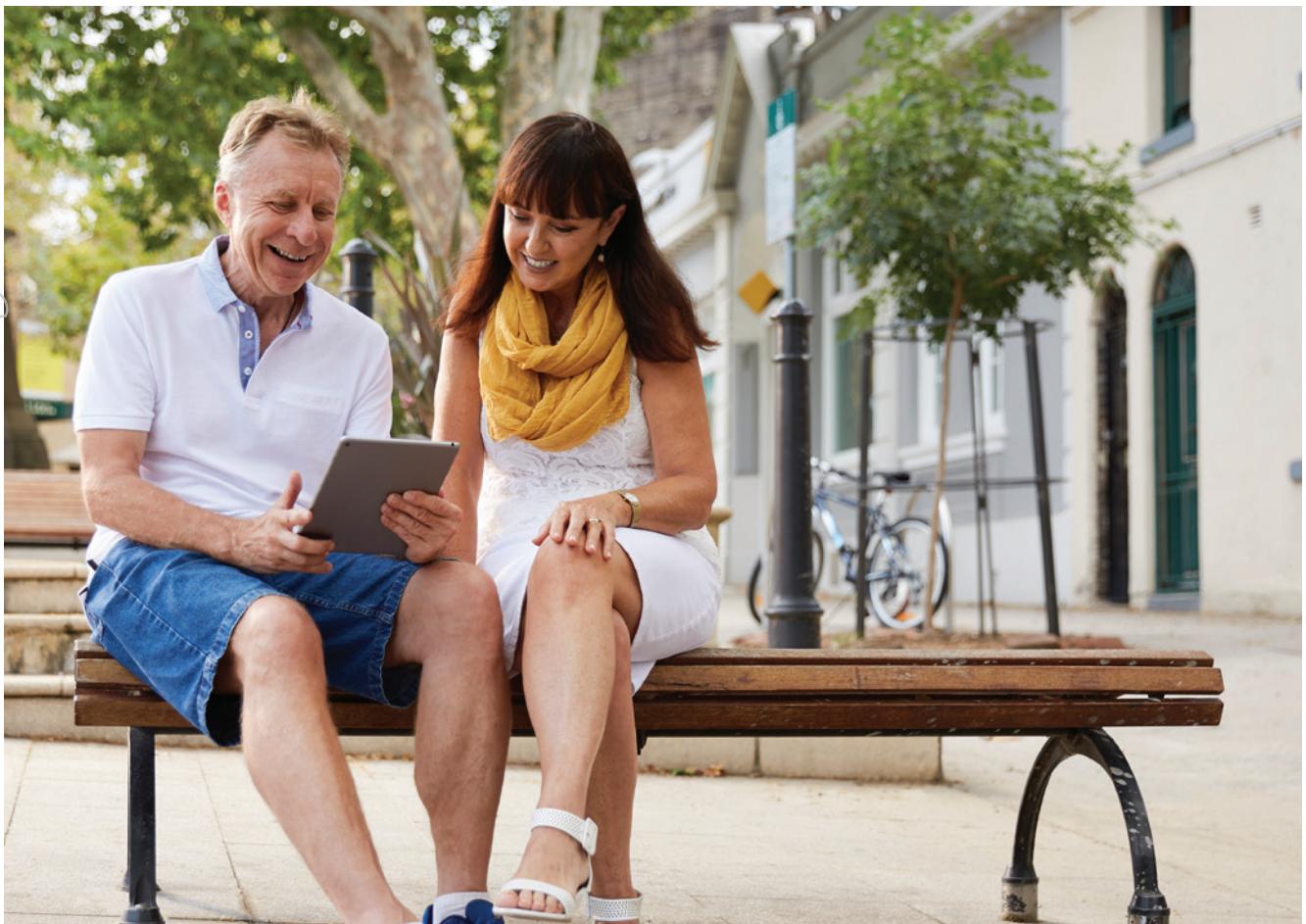
Pro forma relevant financial ratios as at 30 June 2019

	As reported	Pro forma adjustment	Pro forma
Operating Expense to Total Operating Income Ratio ("cash basis") ¹	46.2%	-	46.2%
Return on Equity Ratio ("cash basis") ¹	12.5%	-	12.5%
CET1 Capital Ratio ²	10.7%	-	10.7%
Tier 1 Capital Ratio ²	12.7%	0.1%	12.8%
Total Capital Ratio ²	15.5%	0.1%	15.6%
Leverage Ratio	5.6%	0.1%	5.7%
Net Stable Funding Ratio	112%	0.1%	112%
Liquidity Coverage Ratio ³	132%	0.7%	132%

1 There is no change to these ratios because all costs are capitalised and amortised over time.

2 Level 2 capital ratio.

3 Rounded to the nearest per cent.



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Section 4

Risks of CommBank PERLS XII Capital Notes

- 4.1 Introduction
- 4.2 Risks associated with CommBank PERLS XII Capital Notes specifically
- 4.3 Risks associated with CBA's businesses which may affect CommBank PERLS XII Capital Notes

4.1 Introduction

There are risks which could affect an investment in PERLS XII, including:

- risks associated with PERLS XII specifically, many of which are outside the control of CBA; and
- risks associated with CBA's businesses which may affect PERLS XII.

All principal or material risks and uncertainties that have been identified by CBA as at the date of this Prospectus are included in this section. Additional risks and uncertainties that CBA is unaware of, or that it currently deems to be immaterial, may also become important risk factors that affect CBA and therefore PERLS XII. This list of risks is not exhaustive. CBA is subject to continuous disclosure obligations, requiring new material information to be announced to the ASX.

If any of the listed or unlisted risks actually occur, CBA's business operations, financial condition or reputation could be materially adversely affected and, consequently, Holders of PERLS XII could lose all or part of their investment.

If you have any questions about these risks, you should seek advice from your financial or other professional adviser before deciding to invest in PERLS XII.

4.2 Risks associated with CommBank PERLS XII Capital Notes specifically

4.2.1 Investments in PERLS XII are not deposit liabilities or protected accounts under the Banking Act

Investments in PERLS XII 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 under the Banking Act. Therefore, PERLS XII are not guaranteed or insured by any Australian government, government agency or compensation scheme of Australia or any other jurisdiction.

4.2.2 Holders of PERLS XII are subordinated and unsecured creditors

In a winding up of CBA, Holders' claims will rank after the claims of holders of Senior Ranking Obligations, creditors preferred by law and secured creditors.

Holders' claims will rank equally with claims of holders of Equal Ranking Securities. This means your PERLS XII rank equivalently to a preference share.

Holders' claims will rank ahead of claims of holders of Junior Ranking Securities (being holders of Ordinary Shares).

If, after the claims of holders of Senior Ranking Obligations, creditors preferred by law and secured

creditors are satisfied there are insufficient assets to pay all amounts owing on PERLS XII and any Equal Ranking Securities, there is a risk that you may lose some or all of the money you invested in PERLS XII.

For further information see Sections 1.1.2 "Ranking of PERLS XII in a winding up of CBA" and 2.6 "How will CommBank PERLS XII Capital Notes rank in a winding up?".

In addition, on Exchange, Holders will become holders of Ordinary Shares and rank equally with other holders of Ordinary Shares.

4.2.3 Distributions may not be paid

Payment of a Distribution is subject to:

- CBA, in its absolute discretion, making the Distribution to Holders;
- payment not resulting in a breach of CBA's capital requirements under APRA's prudential standards as they are applied to the CBA Level 1 Group or the CBA Level 2 Group;
- payment not resulting in CBA becoming, or being likely to become, insolvent; and
- APRA not otherwise objecting to the payment.

No Distribution will be paid on Exchange where Exchange occurs due to a Capital Trigger Event or a Non-Viability Trigger Event.

Distributions may not be paid if CBA's CET1 Capital Ratio falls into the CCB. For further information, see Section 3.8.1 "Capital adequacy".

Distributions that are not paid do not accrue and will not be subsequently paid. Non-payment of a Distribution on the relevant Distribution Payment Date will not be an event of default and CBA will have no liability to Holders in respect of the unpaid Distribution. However, from that Distribution Payment Date and until a Distribution is paid in full on a subsequent Distribution Payment Date (or all PERLS XII are Exchanged, Redeemed or otherwise terminated), CBA cannot (subject to certain exceptions):

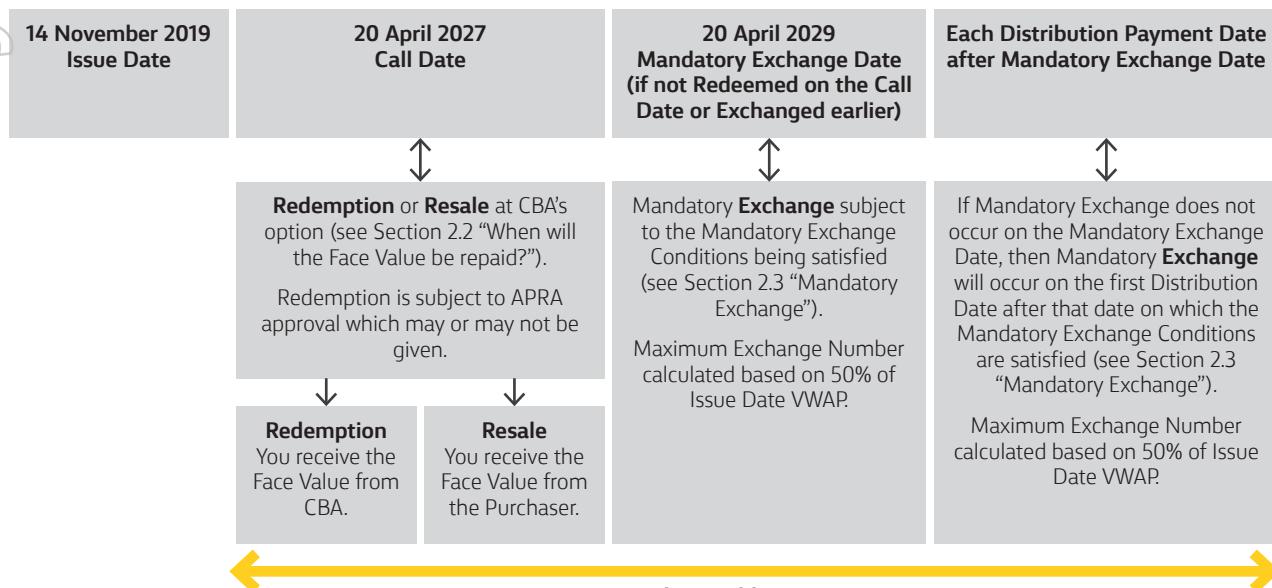
- declare or determine a dividend on Ordinary Shares; or
- return any capital or undertake any buy-backs or repurchases in relation to Ordinary Shares.

To prevent these restrictions from occurring, CBA must pay all Distributions when scheduled, or, if all or any part of a Distribution is not paid when scheduled, in full within 5 Business Days of the Distribution Payment Date. Therefore, CBA would expect to give priority to payments of Distributions and other similar Tier 1 Capital distributions to enable CBA to be able to continue paying Ordinary Share dividends.

Further, under the terms of some other securities issued by CBA, CBA may not be able to pay Distributions if it does not pay distributions on those other securities. If this occurs, the dividend and capital restrictions outlined above will apply.

4.2.4 PERLS XII may be Exchanged for Ordinary Shares on the Mandatory Exchange Date or if certain events occur

PERLS XII do not have a fixed maturity date but may be Exchanged into Ordinary Shares, Redeemed or Resold. The diagram below summarises when these events could occur. If none of these events occur, PERLS XII could remain on issue indefinitely and the Face Value will not be repaid.



Redemption at CBA's option for tax or regulatory reasons or if CBA is unable to frank Distributions (see Section 2.2 "When will the Face Value be repaid?").

Automatic **Exchange** if a Capital Trigger Event, Non-Viability Trigger Event or Change of Control Event occurs (see Section 2.4 "Automatic Exchange on a Capital Trigger Event or Non-Viability Trigger Event" and Section 2.5 "Automatic Exchange on a Change of Control Event"). Maximum Exchange Number calculated based on 20% of Issue Date VWAP.

4.2.4.1 Holders may receive Ordinary Shares on the Mandatory Exchange Date

Unless Redeemed or Exchanged earlier, PERLS XII must be Exchanged on the Mandatory Exchange Date (subject to the Mandatory Exchange Conditions).

Normally, you will receive a variable number of Ordinary Shares with a value equal to A\$101.01 (based on the Initial Face Value of A\$100 and the VWAP of Ordinary Shares with the benefit of a 1% discount, see Section 2.3 "Mandatory Exchange"). For example, if the VWAP of Ordinary Shares immediately prior to the Exchange Date is A\$75, you would receive 1.3468 Ordinary Shares per PERLS XII. If the Ordinary Share price on the Exchange Date remained A\$75, this would have a market value of A\$101.01.

However, CBA will only be required to Exchange PERLS XII if all the Mandatory Exchange Conditions are satisfied (see Section 2.3 "Mandatory Exchange"). For example, if the Issue Date VWAP is A\$81, then:

- under the First Mandatory Exchange Condition, if the VWAP of Ordinary Shares on the 25th Business Day before the Mandatory Exchange Date is greater than A\$45.36, the First Mandatory Exchange Condition would be satisfied;

- under the Second Mandatory Exchange Condition, if the VWAP of Ordinary Shares during the period of 20 Business Days before the Mandatory Exchange Date is greater than A\$40.91, then the Second Mandatory Exchange Condition would be satisfied; and
- under the Third Mandatory Exchange Condition, if the Ordinary Shares are listed or admitted to trading on ASX as at the date of the Mandatory Exchange Date, then the Third Mandatory Exchange Condition would be satisfied.

If any of these Mandatory Exchange Conditions are not satisfied, it means that the Ordinary Share price has fallen below these levels during the relevant periods and Exchange will not occur. If Exchange does not occur, you will continue to hold your PERLS XII until the first Distribution Payment Date after that date on which all the Mandatory Exchange Conditions are satisfied at which time Exchange will occur.

The value of Ordinary Shares you receive could be less than A\$101.01 in some circumstances, including:

- if the Face Value has previously been reduced (following a Capital Trigger Event or Non-Viability Trigger Event); or
- to realise the value of the Ordinary Shares, you sell them on ASX at the prevailing market price. However, depending on the time you decide to sell and the market price at that time, it is possible that your sale proceeds may be less than the Face Value.

4.2.4.2 Holders may receive Ordinary Shares upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event

Unless Redeemed or Exchanged earlier, PERLS XII must be Exchanged upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event.

The Mandatory Exchange Conditions do not apply. Therefore, CBA will be required to Exchange PERLS XII in all circumstances, regardless of the level at which the Ordinary Share price is trading, and the Maximum Exchange Number may limit the number of Ordinary Shares you receive.

The value of Ordinary Shares you receive could be less than A\$101.01 in some circumstances, including:

- if the Face Value has previously been reduced (following a previous Capital Trigger Event or Non-Viability Trigger Event);
- the maximum number of Ordinary Shares that you can receive is limited to a number calculated based on 20% of the Issue Date VWAP. For example, if the Issue Date VWAP is A\$81, then the Maximum Exchange Number would be 6.1728 Ordinary Shares per PERLS XII; and
- to realise the value of the Ordinary Shares, you sell them on ASX at the prevailing market price. However, depending on the time you decide to sell and the market price at that time, it is possible that your sale proceeds may be less than the Face Value.

If you wish to sell your Ordinary Shares, there is also a risk that Ordinary Shares may no longer be listed on ASX at the time of Exchange upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event and you may not be able to sell your Ordinary Shares at all.

4.2.4.3 Holders may receive Ordinary Shares upon the occurrence of a Change of Control Event

Unless Redeemed or Exchanged earlier, PERLS XII must be Exchanged upon the occurrence of a Change of Control Event (subject to the Mandatory Exchange Conditions applying with the modifications in Clause 4.7(c) of the Terms).

The consequences of Exchange in this situation are the same as for Mandatory Exchange (see Section 4.2.4.1 “Holders may receive Ordinary Shares on the Mandatory Exchange Date”).

4.2.4.4 Consequences of holding Ordinary Shares

Ordinary Shares are a different type of investment to PERLS XII. Dividends on Ordinary Shares are payable at the absolute discretion of CBA and the amount of each dividend is discretionary (not subject to a formula). In contrast, Distributions on PERLS XII are payable in accordance with the formulae in Clauses 2.2 and 2.3 of the Terms and subject to the Distribution payment conditions in Clause 2.5 of the Terms. In a winding up of CBA, claims of holders of Ordinary Shares rank behind

claims of holders of all other securities and debts of CBA. In contrast, claims of PERLS XII holders rank ahead of holders of Ordinary Shares.

Ordinary Shares are an equity security and may trade at a market price which is different to a hybrid security such as PERLS XII. The market price of Ordinary Shares may be more sensitive than that of PERLS XII to changes in CBA's performance, operational issues and other business issues.

4.2.5 A Capital Trigger Event or Non-Viability Trigger Event may occur

4.2.5.1 Definition of Capital Trigger Event and Non-Viability Trigger Event

A Capital Trigger Event occurs when CBA determines, or APRA notifies CBA in writing that it believes, that either or both the CBA Level 1 CET1 Capital Ratio or CBA Level 2 CET1 Capital Ratio is equal to or less than 5.125%.

The CET1 Capital Ratio is the ratio of CBA's CET1 Capital to its RWA, where CET1 Capital is the strongest form of capital held by CBA.

If a Capital Trigger Event occurs, CBA must immediately Exchange such number of PERLS XII (or a percentage of the Face Value of each PERLS XII) to return either or both the CBA Level 1 CET1 Capital Ratio or CBA Level 2 CET1 Capital Ratio, as the case may be, to above 5.125%.

A Non-Viability Trigger Event occurs when APRA notifies CBA in writing that it believes:

- Exchange of all or some PERLS XII (or the taking of any action in relation to other capital instruments of the CBA Group) is necessary because, without it, CBA would become non-viable; or
- a public sector injection of capital, or equivalent support, is necessary because, without it CBA would become non-viable.

If a Non-Viability Trigger Event occurs, CBA must immediately Exchange such number of PERLS XII (or a percentage of the Face Value of each PERLS XII) as specified by APRA or necessary to satisfy APRA that CBA will no longer be non-viable. In the case of a public sector injection of capital, or equivalent support, all PERLS XII must be Exchanged.

4.2.5.2 Examples of situations in which a Non-Viability Trigger Event may occur

Whether a Non-Viability Trigger Event will occur is at the discretion of APRA and there are currently no precedents. The circumstances in which APRA may exercise its discretion are not limited to when APRA may have a concern about a bank's capital levels but may also include a bank's funding and liquidity levels.

In Section 4.3 “Risks associated with CBA's businesses which may affect CommBank PERLS XII Capital Notes”, a number of general risks associated with CBA's businesses are outlined. If one, or a combination, of these risks leads to a significant capital loss, or prolonged difficulties in raising funding or maintaining sufficient liquidity, this may be the

type of situation in which APRA may become concerned and notify CBA that it has become non-viable. The risks outlined in Section 4.3 “Risks associated with CBA’s business which may affect CommBank PERLS XII Capital Notes” are examples only and not exhaustive, and there may be other risks which affect the performance of CBA.

4.2.5.3 Consequences of the occurrence of a Capital Trigger Event or Non-Viability Trigger Event

The inclusion of the Capital Trigger Event and Non-Viability Trigger Event in the terms of capital securities has been a requirement under APRA’s prudential standards since 1 January 2013.

In the past, if a bank experienced financial difficulty and needed to accept public or private assistance or investment, holders of capital securities would be subject to the arrangements negotiated on their behalf by the bank with the Government or private investors (as the case may be) at the time. The nature and terms of those arrangements were uncertain until that time arose.

The inclusion of the Capital Trigger Event and Non-Viability Trigger Event is intended to provide an advanced framework for the treatment of Holders if CBA experiences significant financial difficulty. Upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event, CBA must immediately Exchange all or some PERLS XII (or a percentage of the Face Value of each PERLS XII).

The Mandatory Exchange Conditions do not apply and the Terms provide that Exchange occurs automatically without the need for any further act or step by CBA and that CBA will recognise Holders as having been issued Ordinary Shares.

Any ASX trades in PERLS XII that have not settled on the date a Capital Trigger Event or Non-Viability Trigger Event occurs will continue to settle in accordance with the normal ASX T+2 settlement, although the seller will be treated as having delivered, and the buyer will be treated as having acquired, the number of Ordinary Shares into which PERLS XII have been Exchanged as a result of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event.

If a Non-Viability Trigger Event occurs because there has been a public sector injection of capital, or equivalent support, all PERLS XII must be Exchanged.

However, the number of Ordinary Shares you will receive is limited to the Maximum Exchange Number. For further information about the consequences of the application of the Maximum Exchange Number, see Section 4.2.4.2 “Holders may receive Ordinary Shares upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event”.

If the Exchange fails to take effect for any reason and CBA has not otherwise issued the Ordinary Shares required to be issued in respect of such Exchange within 5 Business Days, then Holders’ rights under the relevant PERLS XII will be immediately and irrevocably terminated and such termination will be taken to have occurred immediately on the date of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event. Your investment

in the relevant PERLS XII will lose all of its value – the Face Value will not be repaid and you will not receive any compensation. This could occur if CBA was prevented from issuing Ordinary Shares by circumstances outside its control, for example, if CBA was prevented by a specified law or order of any court, or action of any government authority, from issuing Ordinary Shares.

4.2.5.4 CBA proactively manages its capital, funding and liquidity positions to avoid experiencing financial difficulty

CBA conservatively and proactively manages its capital, funding and liquidity positions to avoid experiencing financial difficulty.

For further information about CBA’s capital, funding and liquidity positions, how they are managed and the CBA Level 2 CET1 Capital Ratio surplus above the level of 5.125%, see Section 3.8.1 “Capital adequacy” and Section 3.8.2 “Funding and liquidity”. However, there are a number of risks which are wholly or partly outside CBA’s control as discussed in Section 4.3 below.

4.2.6 PERLS XII may not be Exchanged on the Scheduled Mandatory Exchange Date

PERLS XII may not be Exchanged on the Scheduled Mandatory Exchange Date because the Mandatory Exchange Conditions are not satisfied. This could occur, for example, because the Mandatory Exchange Conditions are not satisfied due to a large fall in the Ordinary Share price relative to the Issue Date VWAP, or if the Ordinary Shares are Delisted.

The market price of Ordinary Shares is relevant to determining whether Exchange will occur, and also the number of Ordinary Shares a Holder will receive on Exchange. The market price of Ordinary Shares may be impacted by transactions affecting the share capital of CBA, such as rights issues, placements, returns of capital, buy-backs, demergers, and other corporate actions. However, the Issue Date VWAP is adjusted only for pro-rata bonus issues of Ordinary Shares and certain types of capital reconstructions as described in Clauses 7.5 and 7.6 of the Terms and not for other types of corporate transactions such as those mentioned above. The Terms do not limit the transactions which CBA is permitted to undertake with respect to its share capital.

If Exchange does not occur, then (unless Exchange occurs in the meantime pursuant to a Capital Trigger Event and Non-Viability Trigger Event – see Section 4.2.5 “A Capital Trigger Event or Non-Viability Trigger Event may occur”) you will continue to hold your PERLS XII until the first Distribution Payment Date after that date on which all the Mandatory Exchange Conditions are satisfied. PERLS XII are a perpetual security and it is possible that the Mandatory Exchange Conditions may never be satisfied and that PERLS XII may never be Exchanged.

To realise your investment, you can sell your PERLS XII on ASX at the prevailing market price. However, depending on market conditions at the time, PERLS XII may be trading at a market price below the Face Value and/or the market for PERLS XII may not be liquid.

4.2.7 CBA may Redeem, or procure a Resale of, PERLS XII in certain circumstances

CBA has the right to Redeem PERLS XII or choose that Resale occur on the Call Date, or Redeem PERLS XII at any time for tax or regulatory reasons or if it is unable to frank Distributions. CBA's right to Redeem PERLS XII is subject to prior written approval from APRA. Approval is at the discretion of APRA and may or may not be given.

The timing or occurrence of the Redemption or Resale may not coincide with your individual preferences.

In addition, if PERLS XII are Redeemed for tax or regulatory reasons or because CBA is unable to frank Distributions then, depending on market conditions at the time, you may not be able to reinvest the amount you receive on Redemption at a similar rate of return to the rate of return you expected on your PERLS XII if you had continued to hold them.

4.2.8 Holders do not have a right to request that their PERLS XII be Exchanged or Redeemed early

Holders do not have a right to request that their PERLS XII be Exchanged or Redeemed early for any reason.

To realise your investment, you can sell your PERLS XII on ASX at the prevailing market price. However, depending on market conditions at the time, PERLS XII may be trading at a market price below the Face Value and/or the market for PERLS XII may not be liquid. For further information about liquidity risks associated with PERLS XII, see Section 4.2.12 "The liquidity of PERLS XII may be low".

4.2.9 CBA may raise more debt and issue other securities

CBA has the right in its absolute discretion to issue additional Senior Ranking Obligations, Equal Ranking Securities or Junior Ranking Securities which may:

- rank for dividends or payments of capital (including on the winding-up of CBA) equal with, behind or ahead of PERLS XII;
- have the same or different dividend, interest or distribution rates as PERLS XII;
- have payment tests and distribution restrictions or other covenants which may affect PERLS XII (including by restricting circumstances in which Distributions can be paid on PERLS XII or PERLS XII can be Redeemed); or
- have the same or different terms and conditions as PERLS XII.

The Terms do not contain any covenants preventing CBA from raising more debt or issuing other securities, requiring CBA to refrain from certain business changes, or requiring CBA to operate within certain ratio limits.

A Holding of PERLS XII does not confer any right to participate in further issues of securities by CBA.

It is difficult to anticipate the effect such debt or other issues of securities may have on the market price or liquidity of PERLS XII.

4.2.10 The Distribution Rate will fluctuate

The Distribution Rate is a floating rate, based on the Market Rate (which is a floating rate) plus the Margin (which is fixed). The Market Rate will fluctuate and therefore the Distribution Rate will fluctuate. Over the term of PERLS XII, the Distribution Rate may be higher or lower than the initial Distribution Rate on the Issue Date. It is possible for the Market Rate to become negative. Should this occur, the negative amount will be taken into account in calculating the Distribution Rate.

If the Distribution Rate decreases, there is a risk that the return on PERLS XII may become less attractive compared to returns on comparable securities or investments.

CBA does not guarantee any particular rate of return on PERLS XII.

4.2.11 The market price of PERLS XII will fluctuate

CBA will apply for quotation of PERLS XII on ASX. The market price of PERLS XII on ASX will fluctuate due to various factors, including:

- changes in Australian and international economic conditions, interest rates, credit margins, inflation rates and foreign exchange rates;
- if CBA's financial performance or position declines, or if market participants anticipate that it may decline, an investment in PERLS XII could decline in value even if PERLS XII have not been Exchanged;
- changes to CBA's credit rating. For further information about the impacts of credit ratings on CBA, see Section 4.3.14 "CBA's results may be adversely affected by liquidity and funding risks";
- movements in the market price of equity and/or other debt issued by CBA or by other issuers;
- changes in investor perceptions and sentiment in relation to CBA or the financial services industry; and
- other major Australian and international events, such as hostilities and tensions, and acts of terrorism.

PERLS XII may trade at a market price below the Face Value during this time and the market price may be more sensitive than that of equity to changes in interest rates, credit margins and other market prices.

If PERLS XII trade at a market price below the amount at which you acquired them, there is a risk that, if you sell them, you may lose some of the money you invested.

CBA does not guarantee the market price of PERLS XII.

4.2.12 The liquidity of PERLS XII may be low

The market on ASX for PERLS XII may not be liquid and may be less liquid than that of Ordinary Shares.

If liquidity is low, there is a risk that, if you wish to sell your PERLS XII, you may not be able to do so at a price acceptable to you or at all.

4.2.13 Holders may be subject to FATCA withholding and information reporting

The objective of the Foreign Account Tax Compliance Act (“**FATCA**”) is to target tax non-compliance by US taxpayers with foreign financial assets, and requires reporting of such financial assets by third parties.

In order to comply with FATCA, it is possible that CBA (or, if PERLS XII are held through another financial institution, that other financial institution) may be required (pursuant to an agreement with the IRS or otherwise under applicable law) to request certain information from Holders or beneficial owners of PERLS XII, which information may in turn be provided to the IRS or other relevant tax authority.

If CBA or any other person is required to withhold amounts as a result of Holders and beneficial owners of PERLS XII not providing the required information or documentation, then those Holders and beneficial owners will not be entitled to receive any gross up or additional amounts to compensate them for such withholding.

This information is based on guidance issued by the IRS or other relevant tax authority as at the date of this Prospectus. Future guidance may affect the application of FATCA to CBA, Holders or beneficial owners of PERLS XII.

In addition, the OECD Common Reporting Standard for the Automatic Exchange of Financial Account Information (“**CRS**”) requires certain financial institutions to report financial information regarding certain accounts to their local tax authority. The CRS applies to Australian financial institutions from 1 July 2017. Holders may be requested to provide certain information to ensure compliance with CRS. This information may be provided to the Australian Taxation Office which, in turn, may provide this information to other countries that have signed the CRS Competent Authority Agreement.

4.2.14 CBA may amend the Terms

CBA may amend the Terms in two ways:

- without the consent of Holders and subject to compliance with relevant laws – as set out in the Terms, including if the amendment is of a formal, technical or minor nature; to correct an error; to facilitate the listing; to comply with relevant laws; to amend any date or time period in connection with any Exchange, Resale or Redemption; where there is no material prejudice; or to enable the substitution of a NOHC as the debtor of PERLS XII provided certain substitution conditions are satisfied; and
- with the consent of Holders – if a Special Resolution is passed.

In both cases, the Terms of all PERLS XII will be amended. In particular in the latter case, Holders who did not vote with the majority will be subject to the amended Terms which may not coincide with their individual preferences.

CBA may also amend the Terms in circumstances where the Market Rate ceases to be available (i.e. a Market Rate Disruption Event occurs) and replace the Market Rate

with an alternative rate that CBA considers appropriate (in some cases subject to APRA's prior written approval), acting in good faith and in a commercially reasonable manner, and make certain other consequential amendments to the Terms. Such amendments could adversely affect the interests of PERLS XII Holders.

Certain amendments require prior written approval from APRA. Approval is at the discretion of APRA and may or may not be given.

4.2.15 CBA may substitute for itself a non-operating holding company (“NOHC”)

CBA may substitute for itself a NOHC as the debtor in respect of PERLS XII or as the issuer of ordinary shares on Exchange. If a NOHC is substituted as the debtor it means that you would no longer have rights against CBA. If a NOHC is substituted as the issuer of ordinary shares on Exchange it means that you will receive ordinary shares in the NOHC rather than CBA.

Although not currently contemplated, the implementation of a NOHC structure may involve CBA selling some but not all of its business, and other subsidiaries, to the NOHC or a subsidiary of the NOHC. As a result, the profits and net asset position of CBA and the NOHC may be different to that of CBA prior to the NOHC structure being implemented.

4.2.16 Powers of an ADI Statutory Manager and of APRA

In certain circumstances, APRA may appoint a statutory manager to take control of the business of an Australian ADI, including CBA. The statutory manager has specific powers to take certain actions which may affect the ongoing operation of CBA and therefore its financial position which is relevant to PERLS XII.

4.3 Risks associated with CBA's businesses which may affect CommBank PERLS XII Capital Notes

4.3.1 CBA is subject to extensive regulation and operates in an environment of political scrutiny, which could adversely impact its operations and financial condition

CBA and its businesses are subject to extensive regulation in Australia and across multiple regulatory bodies as well as other regulators in jurisdictions in which CBA operates or obtains funding, including New Zealand, the United Kingdom, the United States, China, Japan, Europe, Singapore, Hong Kong and Indonesia.

Key domestic regulators include APRA, ASIC, AUSTRAC, the Office of the Australian Information Commissioner, the Australian Competition and Consumer Commission, the Australian Financial Complaints Authority, the RBA and the ASX.

APRA, as CBA's prudential regulator in Australia has very wide powers under the Banking Act, including in limited circumstances to direct banks (including CBA) not to make payments on their securities.

In addition to its key Australian regulators, a range of international regulators and authorities supervise and regulate CBA in respect of, among other areas, capital adequacy, liquidity levels, funding, provisioning, insurances, compliance with prudential regulation and standards, accounting standards, remuneration, data access, stock exchange listing requirements, and its compliance with relevant financial crime, sanction, privacy, taxation, competition, consumer protection and securities trading laws.

CBA and the wider financial services industry are facing increased regulation in many of these areas and jurisdictions and changes or new regulation in one part of the world could lead to changes elsewhere.

Any change in law, regulation, accounting standards, policy or practice of regulators, or failure to comply with laws, regulation or policy, may adversely affect CBA's business, financial condition, liquidity, operations, prospects and its reputation, and its ability to execute its strategy, either on a short-term or long-term basis. The potential impacts of regulatory change are wide, and could include increasing the levels and types of capital CBA is required to hold and restricting the way CBA can conduct its business and the nature of that business, such as the types of products that it can offer to customers.

CBA may also be adversely affected if the pace or extent of such regulatory change exceeds CBA's ability to adapt to such changes and embed appropriate compliance processes adequately. The pace of regulatory change means that the regulatory context in which CBA operates is often uncertain and complex.

4.3.11 Regulatory reforms

Examples of significant regulatory reform under development in Australia include a review of Open Banking (as defined below), APRA's proposals to revise the capital framework for ADIs and the *Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019*.

- In late 2017, the Australian Government announced it would legislate an economy-wide Consumer Data Right ("CDR") to give consumers access to and control over their data, beginning with banking (referred to as "Open Banking"). The Australian Government has decided to phase in Open Banking with the major banks to make product data available for credit and debit card, deposit and transaction accounts from July 2019, before expanding to other banking products (e.g. mortgages) and sharing of consumer data between major banks and accredited third parties (at the direction of the consumer) for credit and debit card, deposit and transaction accounts from February 2020. These reforms are intended to increase competition in the financial sector and improve customer outcomes. CDR laws have now been passed by the Federal Parliament in Australia, with the Australian Competition and Consumer Commission

CDR Rules to be passed and Data Standards to be finalised. Increased competition resulting from Open Banking may adversely impact CBA's business and financial condition.

- The finalisation of the capital reforms, which are currently under consultation with APRA, may result in changes to the risk-weighting framework for certain asset classes, which are expected to increase CBA's RWA and accordingly (all things being equal) reduce CBA's CET1 Capital Ratio. As part of the revisions to the capital framework, APRA is also consulting with the industry on approaches for achieving international comparability, without changing the quantum amount of CET1 Capital ADIs are required to hold. In addition, on 9 July 2019, APRA announced its decision on the LAC to support the orderly resolution of Australian ADIs, which increased the total capital requirement for domestically systemically important banks, such as CBA, by 3%. APRA has stated that, over the next four years, it may consider feasible alternatives to further increase the LAC by an additional 1-2%. The form of such alternatives remains uncertain, and APRA has indicated that it expects to consult with the industry and other stakeholders.
- The finalisation of these proposals may have the following impacts:
 - implications for the CCB which may affect the payment of Distributions (see Section 3.8.1.3 "Potential impact of falling into the capital conservation buffer" for more information on the CCB);
 - further changes to the risk-weighting framework for certain asset classes, which are expected to increase CBA's RWA and accordingly (all things being equal) reduce CBA's CET1 Capital Ratio which may affect the risk of a Capital Trigger Event occurring (see Section 2.4 "Automatic Exchange on a Capital Trigger Event or a Non-Viability Trigger Event" and Section 4.2.5 "A Capital Trigger Event or Non-Viability Trigger Event may occur"); and/or
 - adjustments to an ADI's existing minimum CET1 Capital Ratios may increase the PCR and CCB components, which may result in APRA determining that a Capital Trigger Event percentage higher than 5.125% is appropriate. At this stage, the potential impact on PERLS XII and other Equal Ranking Securities remains uncertain. Potential scenarios for PERLS XII include:
 - CBA may have an early redemption right (subject to APRA's approval) under Clause 5.4 of the Terms;
 - CBA may amend the Terms without the consent of Holders to adjust to a higher Capital Trigger Event percentage (Clause 12.3(d)(ii)); or
 - APRA may grandfather PERLS XII and other Equal Ranking Securities currently on issue, i.e. capital adequacy (as detailed in Section 3.8.1 "Capital adequacy"), may be assessed under the existing or revised APRA Prudential Standards.

- The Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019 (Cth) came into force on 5 April 2019 and introduced both design and distribution obligations on certain issuers and distributors of financial products (including hybrid securities) to retail investors and new product intervention powers for ASIC. The product design and distribution obligations have a two year transitional period and therefore do not come into force until April 2021. Relevantly, the product design and distribution obligations require issuers to prepare and make publicly available a ‘target market determination’ (“TMD”), which aims to ensure that financial products for the retail market are targeted and sold to appropriate investors. Issuers must then take reasonable steps to ensure compliance with the TMD by distributors and are subject to ongoing obligations to review the TMD. Distributors must not distribute a product to retail investors unless it has a TMD and must also take reasonable steps to ensure their distribution is consistent with the TMD. ASIC is expected to provide regulatory guidance in respect of the design and distribution obligations by the end of 2019. The impact of these new obligations remains untested, however there is a risk that they may adversely impact the issue, distribution and reinvestment of financial products in the future, including instruments like PERLS XII. These changes may also affect the liquidity of funding instruments (including hybrids such as PERLS XII), if they lead to a material reduction in future issuance volumes or secondary trading activity by investors.

Outside Australia there have also been a series of other regulatory initiatives from authorities in the various jurisdictions in which CBA operates or obtains funding that would result in significant regulatory changes for financial institutions.

As an example, and as outlined in Section 3.8.1.5 “Regulatory developments”, the Reserve Bank of New Zealand is undertaking a comprehensive review of the capital adequacy framework applying to registered banks in New Zealand. Among the proposals being considered is an increase in the minimum Tier 1 capital requirement for banks which are deemed systemically important to 16% of RWA (currently 8.5%). It is possible that such proposals, if implemented, could impact CBA’s capital minimums and targets.

4.3.1.2 Other regulatory and political developments

There is currently an environment of heightened scrutiny by the Australian Government and various Australian regulators on the Australian financial services industry. An example of industry-wide scrutiny that may lead to future changes in laws, regulation or policies, is the establishment of a Royal Commission to inquire into the misconduct by financial service entities.

The Royal Commission was established on 14 December 2017 and was authorised to inquire into misconduct by financial service entities (including the CBA Group). Seven rounds of hearings

into misconduct in the banking and financial services industry were held throughout 2018, covering a variety of topics including consumer and business lending, financial advice, superannuation, insurance and a policy round. The Royal Commission’s final report was delivered on 1 February 2019. The final report included 76 policy recommendations to the Australian Government and findings in relation to the case studies investigated during the hearings, with a number of referrals being made to regulators for misconduct by financial institutions, which has resulted in heightened levels of enforcement action across the industry including key regulators investigating all matters raised by the Royal Commission.

The 76 recommendations covered many of CBA’s business areas, and also canvassed the role of the regulators and the approach to be taken to customer focus, culture and remuneration. The recommendations regarding the role of regulators, in particular ASIC’s ‘why not litigate’ approach for breaches of financial services law, will likely lead to a change in CBA’s regulator relationships and CBA is seeing an increase in investigation and litigation activity, which could potentially have a cumulative impact on costs and reputation. CBA released a statement to the ASX on 8 March 2019 welcoming the final report and committing to actions to deliver on the recommendations.

4.3.2 CBA may be adversely affected by damage to its reputation

The CBA Group’s reputation is a valuable asset and a key contributor to the support that it receives from the community for its business initiatives and its ability to raise funding or capital. Damage to CBA’s reputation may arise where there are differences between stakeholder expectations and CBA’s actual or perceived practices. The risk of reputational damage may also be a secondary outcome of other sources of risk.

Various issues, including a number of the risks described in this Section 4.3, may give rise to reputational damage and cause harm to CBA’s business, financial condition, operations and prospects. These issues include the CBA Group’s conduct (for example, inadequate sales and trading practices, inappropriate management of conflicts of interest and other ethical issues), breaches of legal and regulatory requirements (such as money laundering, counter-terrorism financing, trade sanctions privacy and anti-hawking laws), technology and information security failures, unsuccessful strategies or strategies that are not in line with community expectations and non-compliance with internal policies and procedures. CBA’s reputation may also be adversely affected by community perception of the broader financial services industry, or from the actions of its competitors, customers, suppliers, or companies in which CBA holds strategic investments.

Failure, or perceived failure, to address these issues appropriately could also give rise to additional legal or regulatory risk, subjecting CBA to regulatory enforcement actions, fines and penalties, or further damage its reputation and integrity among its stakeholders including customers, investors and the community.

4.3.3 CBA may be adversely impacted by a downturn in the Australian or New Zealand economies

As CBA's businesses are primarily located in Australia and New Zealand, CBA's performance is dependent on the state of these economies, customer and investor confidence, and prevailing market conditions in these two countries.

CBA can give no assurances as to the likely future conditions of the Australian and New Zealand economies, which can be influenced by many factors within and outside these countries, which are outside CBA's control, including domestic and international economic events, political events, natural disasters and any other event that impacts global financial markets.

China is one of Australia's major trading partners and a significant driver of commodity demand and prices in many of the markets in which CBA and its customers operate. Anything that adversely affects China's economic growth, including the implementation of tariffs or other protectionist trade policy, could adversely affect Australian economic activity and, as a result, CBA's business, financial condition, operations and prospects.

The strength of the Australian economy is influenced by the strength of the Australian dollar. Significant movements in the Australian dollar may adversely impact parts of the Australian economy and, in turn, CBA's results of operations as described in Section 4.3.16.

A material downturn in the Australian or New Zealand economies could adversely impact future results by reducing customers' demand for CBA's products and borrowers' ability to repay their loans to CBA (i.e. credit risk). In particular, given CBA's concentration of earnings from home loans, a significant or sustained decrease in the Australian and New Zealand housing markets or property valuations, including external factors or tightening lending standards could adversely affect CBA's home and commercial mortgage portfolio, result in a decrease in the amount of new lending CBA is able to undertake and/or increase the losses that CBA may experience from existing loans. These factors could adversely affect CBA's business, financial condition, operations and prospects.

4.3.4 CBA may be adversely affected by deteriorations in the global financial markets

By the nature of its operations in various financial markets, CBA has previously been adversely impacted, both directly and indirectly, by difficult business, economic and market conditions and could be adversely affected should markets deteriorate again in the future. The financial system (or systems) within which CBA operates may experience systemic shock due to market volatility, political or economic instability or catastrophic events.

A shock to or deterioration in the global economy could result in currency and interest rate fluctuations and

operational disruptions that negatively impact the CBA Group. For example, global economic conditions may deteriorate to the extent that counterparties default on their debt obligations; countries re-denominate their currencies and/or introduce capital controls; one or more major economies collapse; and/or global financial markets cease to operate, or cease to operate efficiently. Sovereign defaults may adversely impact CBA directly, through adversely impacting the value of CBA assets, or indirectly through destabilising global financial markets, adversely impacting CBA's liquidity, financial performance or ability to access capital.

4.3.5 CBA is subject to intense competition which may adversely affect its results

CBA faces intense competition in all of its principal areas of operation. Competition is expected to increase, especially from non-Australian financial services providers who continue to expand in Australia, and from new non-bank entrants or smaller providers who may be unregulated or subject to lower or different prudential and regulatory standards than CBA and are therefore able to operate more efficiently. These entrants may seek to disrupt the financial services industry by offering bundled propositions and utilising new technologies.

If CBA is unable to compete effectively in its various businesses and markets, its market share may decline and increased competition may also adversely affect CBA's results by diverting business to competitors or creating pressure to lower margins to maintain market share.

4.3.6 CBA may incur losses from operational risks associated with being a large financial institution

Operational risk is defined as the risk of economic gain or loss resulting from: (i) inadequate or failed internal processes and methodologies; (ii) people; (iii) systems and models used in making business decisions; or (iv) external events.

CBA's use of third party suppliers and third party partnerships, especially those where they supply CBA with critical services such as key technology systems or support, also expose it to operational risks, including the potential for a severe event at a third party impacting CBA.

CBA's businesses are highly dependent on their ability to process and monitor a very large number of transactions, many of which are highly complex, across multiple markets and in many currencies. CBA's financial, accounting, record-keeping, data processing or other operating systems, processes and facilities may fail to function properly or may become disabled as a result of events that are wholly or partially beyond its control, such as a spike in transaction volumes, damage to critical utilities, environmental hazard, natural disaster, or a failure of vendors' systems. CBA could suffer losses due to impairment of assets, including software, goodwill and other intangible assets.

There is also a risk that poor decisions may be made due to data quality issues, models that are not fit for purpose, or inappropriate data management. This may cause CBA to incur losses, or result in regulatory action.

Management must exercise judgment in selecting and applying CBA's accounting policies so that not only do they comply with generally accepted accounting principles but they also reflect the most appropriate manner in which to record and report on the financial position and results of operations of CBA. Application of and changes to accounting policies may adversely impact CBA's results.

CBA may also be adversely impacted by failures in the efficacy, adequacy or implementation of its risk-management strategies, frameworks and processes. The emergence of unexpected risks or unanticipated impacts of identified risks may result in financial or reputational losses for CBA.

4.3.7 CBA may be adversely impacted by information security risks, including cyber-attacks

CBA's businesses are highly dependent on its information technology systems, including those supplied by external service providers, to securely process, store, keep private and transmit information. These information technology systems are subject to information security risks. Information security risks for CBA have increased in recent years, in part because of: (i) the pervasiveness of technology to conduct financial transactions; (ii) the evolution and development of new technologies; (iii) CBA's increasing usage of digital channels; (iv) customers' increasing use of personal devices that are beyond CBA's control systems; and (v) the increased sophistication and broadened activities of cyber criminals.

Although CBA takes protective measures and endeavours to modify these protective measures as circumstances warrant, its computer systems, software and networks may be vulnerable to unauthorised access, misuse, denial-of-service attacks, phishing attacks, computer viruses or other malicious code and other events. These threats could result in the unauthorised release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of CBA, its employees, customers or third parties or otherwise adversely impact network access or business operations.

An information security failure (including the impact of any cyber-attack), or more general mishandling of data, could have serious consequences for CBA, including operational disruption, financial losses, a loss of customer or business opportunities, litigation, regulatory penalties or intervention, reputational damage, theft of intellectual property, loss or theft of customer data, and could result in violations of applicable privacy laws.

4.3.8 CBA may be adversely affected by human capital risk

CBA's ability to attract and retain qualified and skilled executives, employees and Board members is an important factor in achieving the strategic objectives of the CBA Group. The Chief Executive Officer, the management team of the Chief Executive Officer and the Board have skills that are critical to setting the strategic direction, successful management and growth of CBA, and whose loss due to resignation, retirement, death or illness may adversely affect CBA's business, operations and financial condition.

If CBA has difficulty retaining or attracting highly qualified people for important roles, including key executives and Board members, particularly in times of strategic change, CBA's business, operations and financial condition could be adversely affected.

4.3.9 CBA could suffer losses due to climate change

Climate change is systemic in nature, and is a significant long-term driver of both financial and non-financial risks. A failure to respond to the potential and expected impacts of climate change will affect CBA's long-term performance and can be expected to have group-wide impacts for the CBA Group in its lending (retail and business), procurement and investment portfolios. These include, but are not limited to, impacts on the probability of default and losses arising from defaults, valuations and collateral as well as portfolio performance.

CBA recognises that inadequate assessment and management of the physical risk (arising from extreme weather events and longer-term shifts in climate patterns) and transition risk (arising from legal, market, regulatory, technology and reputational changes associated with a transition to a low carbon economy) of climate change, have the potential to disrupt business activities, damage property and otherwise affect the value of assets, and affect our customers' ability to repay loans.

Climate change therefore has the potential to impact the CBA Group's franchise value, strategic risk and financial risk and poses a risk to CBA's cost of capital.

4.3.10 CBA is subject to compliance risks, which could adversely impact its future results and reputation

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that CBA may suffer as a result of its failure to comply, or perceived failure to comply, with the requirements of relevant laws, regulatory bodies, industry standards and codes. Increasing volume, complexity and global reach of such requirements, and the increased propensity for sanctions and the level of financial penalties for breaches of requirements, could adversely impact on CBA's results and reputation.

This includes for example, financial crime related obligations such as anti-money laundering and counter-terrorism financing laws, anti-bribery and corruption laws and economic and trade sanctions laws in the jurisdictions in which it operates. The number and wide reach of these obligations, combined with the increasing global focus on compliance with and enforcement of these obligations, presents a risk of adverse impacts on CBA, including to its reputation.

Compliance risk may also arise where CBA interprets its obligations differently from regulators or a court.

4.3.11 CBA's business could be negatively impacted by substantial legal liability or regulatory action

Due to the nature of CBA's business, it is involved in litigation, arbitration and regulatory proceedings, principally in Australia and New Zealand. Such matters are subject to many uncertainties, and the outcome of individual matters cannot be predicted with certainty. If CBA is ordered to pay money (for example, damages, fines, penalties or legal costs), has orders made against its assets (for example, a charging order or writ of execution), is ordered to carry out actions which adversely affect its business operations or reputation (for example, corrective advertising) or is otherwise subject to adverse outcomes of litigation, arbitration and regulatory proceedings, CBA's business, financial condition, operations, prospects and reputation may be adversely affected.

Examples of litigation and regulatory investigations include the shareholder class actions and an ASIC investigation both of which relate to the subject matter of the proceedings that were commenced against CBA by AUSTRAC (which have now been resolved), the class action proceedings concerning investment in cash and deposit options against Colonial First State Investments and CBA and the proceedings brought by the Commonwealth Director of Public Prosecutions against CommInsure Life for alleged contraventions of the anti-hawking provisions of the Corporations Act, as announced by CBA on 4 October 2019.

4.3.12 CBA may incur losses as a result of the inappropriate conduct of its staff

CBA could be adversely affected if an employee, contractor or external service provider does not act in accordance with regulations or CBA's policies and procedures, engages in inappropriate or fraudulent conduct, or unintentionally fails to meet a professional obligation to specific clients. Examples are inadequate or defective financial advice, product defects and unsuitability, market manipulation, insider trading, privacy or data security breaches and misleading or deceptive conduct in advertising. As a result, CBA could incur losses, financial penalties and reputational damage, and could be subject to legal or regulatory action.

4.3.13 CBA may incur losses associated with counterparty exposures

CBA assumes counterparty risk in connection with its lending, trading, derivatives, insurance and other businesses as it relies on the ability of its counterparties to satisfy their financial obligations to the Issuer on a timely basis. For example, customers may default on their home, personal and business loans, and trades may fail to settle due to non-payment by a counterparty or a systems failure by clearing agents, exchanges, or other financial intermediaries. This risk also arises from CBA's exposure to lenders' mortgage insurance and re-insurance providers. There is also a risk that CBA's rights against counterparties may not be enforceable in certain circumstances.

Counterparties may default on their obligations due to insolvency, lack of liquidity, operational failure or other reasons. This risk may be increased by a deterioration in economic conditions and a sustained high level of unemployment. In assessing whether to extend credit or enter into other transactions, CBA relies on counterparties providing information that is accurate and not misleading, including financial statements and other financial information. CBA's financial performance could be negatively impacted to the extent that it relies on information that is inaccurate or materially misleading.

Unexpected credit losses could have a significant adverse effect on CBA's business, financial condition, operations and prospects.

4.3.14 CBA's results may be adversely affected by liquidity and funding risks

CBA is subject to liquidity and funding risks, which could adversely impact its future results. Liquidity risk is the risk of being unable to meet financial obligations as and when they fall due. Funding risk is the risk of over-reliance on a funding source to the extent that a change or increased competition in that funding source could increase overall funding costs or cause difficulty in raising funds.

Further information on liquidity and funding risk is outlined in the following sub-sections and is also included in the 2019 Annual Report. The 2019 Annual Report is available from the Investor Centre at www.commbank.com.au/annual-reports.

(i) Adverse financial and credit market conditions may significantly affect CBA's ability to access international debt markets, on which it relies for a substantial amount of its wholesale funding

While the majority of CBA's funding comes from deposits, it remains reliant on offshore wholesale funding markets to source a significant amount of its funding and grow its business.

Global market volatility may adversely impact the cost and CBA's ability to access wholesale funding markets, and may also result in increased competition for, and therefore the cost of deposits in Australia.

If CBA is unable to pass its increased funding costs on to its customers, CBA's financial performance will decline due to lower net interest margins. If CBA is forced to seek alternative sources of funding, the availability of such alternative funding and the terms on which it may be available will depend on a variety of factors, including prevailing financial and credit market conditions. Even if available, the cost of these alternatives may be more expensive or they may only be available on unfavourable terms, which may adversely impact CBA's cost of borrowing and CBA's on-going operations and funding. If CBA is unable to source appropriate and timely funding, it may also be forced to reduce its lending or consider selling assets.

(ii) CBA may not be able to maintain adequate levels of liquidity and funding, which would adversely affect CBA's business, financial condition, operations and prospects

CBA's liquidity and funding policies are designed to ensure that it will meet its debts and other obligations as and when they fall due. Although CBA actively monitors and manages its liquidity and funding positions, there are factors outside CBA's control which could adversely affect these positions, for example, if financial markets are closed for an extended period of time, or if a change in customer behaviour driven by low, zero or negative interest rates leads to an outflow of deposits.

In addition to APRA's LCR requirements (effective 1 January 2015), CBA must comply with the NSFR requirements, which came into effect from 1 January 2018. If CBA fails to maintain adequate levels of liquidity and funding, it would adversely affect CBA's business, financial condition, operations and prospects.

(iii) Failure to maintain credit ratings could adversely affect CBA's cost of funds, liquidity, access to debt and capital markets and competitive position

CBA's credit ratings (which are strongly influenced by Australia's sovereign credit rating) affect the cost and availability of its funding from debt and other funding sources. Credit ratings could be used by potential customers, lenders and investors in deciding whether to transact with or invest in CBA.

A downgrade to CBA's credit ratings, or Australia's sovereign credit rating, could adversely affect CBA's cost of funds, liquidity, access to debt and capital markets, collateralisation requirements and competitive position.

Some ratings agencies also assign ratings to regulatory capital securities (such as PERLS XII) for use by wholesale investors and may announce changes to their rating methodology and/or to the securities' ratings, either during the Offer Period or after PERLS XII has been issued.

4.3.15 CBA may be adversely affected by capital adequacy risk

CBA must satisfy substantial capital requirements, subject to qualitative and quantitative review and assessment by its regulators. Regulatory capital requirements influence how CBA uses its capital, and can restrict its ability to pay dividends and Additional Tier 1 distributions, or to make stock repurchases. CBA's capital ratios may be affected by a number of factors, including earnings, asset growth, changes in the value of the Australian dollar against other currencies in which CBA conducts its business, and changes in business strategy (including acquisitions, divestments, investments and changes in capital intensive businesses).

CBA operates an Internal Capital Adequacy Assessment Process ("ICAAP") to manage its capital levels and to maintain them above the minimum levels approved by the Board (which are currently set to exceed regulatory requirements). The ICAAP includes forecasting and stress testing of capital levels, which guide CBA in selecting any capital management initiatives it may undertake.

Should the ICAAP forecasts or stress tests prove to be ineffective, CBA may not be holding sufficient capital and may need to raise capital to manage balance sheet growth and/or extreme stress.

4.3.16 CBA may be adversely affected by market risks, including interest rates and exchange rates

CBA is exposed to market risks, including the potential for losses arising from adverse changes in interest rates (including potential for negative interest rates), foreign exchange rates, commodity and equity prices, credit spreads and implied volatility levels for assets and liabilities where options are transacted. This exposure is split between traded market risks, primarily through providing services to customers on a global basis, and non-traded market risks, predominantly interest rate risk in the banking book.

Changes in market factors such as potential developments or future changes in the administration of financial benchmark interest rates could result in adverse consequences to the return on, value of and market for, securities and other instruments whose returns are linked to any such benchmark, including those securities or other instruments issued by the CBA Group. If the CBA Group was to suffer substantial losses due to any market volatility, it may adversely affect the CBA Group's financial performance or financial condition.

Additionally, a significant proportion of CBA's wholesale funding and some of its profits and investments are in currencies other than the Australian dollar, principally the U.S. dollar and the Euro. This exposes CBA to exchange rate risk on these activities, as its functional and financial reporting currency is the Australian dollar. These activities are hedged where appropriate, however there are also risks associated with hedging, for example, a hedge counterparty may default on its obligations to CBA.

For a description of these specific risks, see note 9.3 to CBA's audited consolidated and non-consolidated annual financial statements for the financial year ended 30 June 2019. There can be no assurance that CBA's exchange rate hedging arrangements or hedging policy will be sufficient or effective. CBA's results of operations may be adversely affected if its hedges are not effective to mitigate exchange rate risks, if CBA is inappropriately hedged or if a hedge provider defaults on its obligations under CBA's hedging agreements.

4.3.17 CBA's results could be adversely impacted by strategic risks

Strategic risk is the risk of material value destruction or less than planned value creation, due to changes in CBA's external and internal operating environment. Examples of strategic risk include:

- suboptimal allocation and balance of CBA's resources to execute on its strategic objectives;
- ineffective delivery of CBA's strategy (for example due to operational complexity or the pace of execution being too fast for processes, people and systems to work as they need to, or too slow to keep pace with the changing environment); and
- the inability of CBA to keep pace with intensified competition from traditional and non-traditional financial services players across key value pools.

While the Board regularly monitors and discusses CBA's operating environment, strategic objectives and implementation of major strategic initiatives, there can be no assurance that such objectives and initiatives will be successful or that they will not adversely impact CBA.

4.3.18 CBA's performance and financial position may be adversely affected by acquisitions or divestments of businesses

CBA is currently undertaking a number of divestments and strategic reviews of certain businesses, as outlined in Section 3.2 "Businesses of CBA". CBA may further continue to divest businesses or capabilities it considers non-core or wind down businesses or product areas.

There is a risk that the cost and pace of executing divestments, including as a result of external approvals, may cause CBA to experience disruptions in the divestment, transition or wind down process, including to existing businesses, which may cause customers to remove their business from CBA or have other adverse impacts to CBA.

From time to time, CBA evaluates and undertakes acquisitions of other businesses. There is a risk that CBA may not achieve the expected synergies from the acquisition, and may experience disruptions to its existing businesses due to difficulties in integrating the systems and processes of the acquired business. These may cause CBA to lose customers and market share, and incur financial losses.

Multiple divestments and/or acquisitions at the same time may exacerbate these risks.

4.3.19 CBA could be adversely impacted by investor activism

CBA has in the past, and may in the future, be challenged on its strategy by shareholders, including institutional shareholders, and special interest groups. Areas which have attracted investor activism in Australia include making socially responsible investment and avoiding financing or interacting with businesses that do not demonstrate responsible management of environmental and social issues. The prevalence of investor activism could impact management's decision-making and implementation of CBA's initiatives, which in turn could adversely affect its financial results.

4.3.20 CBA may be adversely impacted by insurance risk

Events that the CBA Group has provided insurance against may occur more frequently or with greater severity than anticipated, which could adversely impact CBA. In the life insurance business, this risk arises primarily through mortality (death) and morbidity (illness and injury) related claims being greater than expected. In the general insurance business, this risk is mainly driven by weather related incidents (such as storms, floods or bushfires) and other catastrophes.



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CommBank is working closely with farmers to arrive at solutions that can help them keep their properties and protect their livelihoods

Section 5

Other Information

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5.1 No material breaches of loan covenants or debt obligations

CBA has not materially breached any loan covenants or debt obligations in the two years prior to the date of this Prospectus.

5.2 Other documents relevant to the Offer

5.2.1 Deed Poll

CBA's obligations in respect of PERLS XII are constituted by and subject to the Deed Poll. Each Holder is taken to have notice of, and be bound by, the provisions of the Deed Poll.

5.2.2 Financial Statements

The 2019 Annual Report contains financial information for the full year ended 30 June 2019, and further detail on the matters described in Section 3.4 "Financial services industry regulatory environment".

5.2.3 Summary of the Offer Management Agreement

The Arranger and the Joint Lead Managers have entered into the Offer Management Agreement with CBA to manage the Offer.

A summary of the fees payable to the Arranger, Joint Lead Managers and other Syndicate Brokers is outlined in Section 5.7 "Interests of Advisers".

5.2.4 Constitution

Holders may receive Ordinary Shares on Exchange. The rights and liabilities attaching to Ordinary Shares are set out in the Constitution and are also regulated by the Corporations Act, ASX Listing Rules and other applicable laws.

5.2.5 Availability of documents

CBA will provide a copy of any of the following documents free of charge to any person upon their written request during the Offer Period:

- the Profit Announcement for the full year ended 30 June 2019;
- the 2019 Annual Report;
- the Constitution; and
- any continuous disclosure notices given by CBA in the period after the lodgement of the 2019 Annual Report and before the lodgement of this Prospectus with ASIC.

Written requests for copies of these documents should be made to:

Investor Relations

Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000

Copies of these documents are available on the CBA Investor Centre at www.commbank.com.au/investors.

5.3 Incorporation by reference

CBA has lodged the full Deed Poll, a summary of the Constitution and a summary of the Offer Management Agreement with ASIC, and the information in each document is incorporated by reference into this Prospectus. These can be obtained free of charge from www.commsec.com.au during the Offer Period and from the Investor Centre at www.commbank.com.au/investors after the Issue Date.

A copy of the full Constitution is available at <https://www.commbank.com.au/about-us/shareholders/corporate-profile/corporate-governance.html>.

5.4 Summary of Australian tax consequences for Holders

5.4.1 Introduction

The following is a summary of the Australian tax consequences for certain Australian resident Holders and non-Australian resident Holders who subscribe for PERLS XII under the Offer.

This summary is not exhaustive and you should seek advice from your financial or other professional adviser before deciding to invest in PERLS XII. In particular, this summary does not consider the consequences for Holders who:

- acquire PERLS XII otherwise than under the Offer;
- hold PERLS XII in their business of share trading, dealing in securities or otherwise hold their PERLS XII on revenue account or as trading stock;
- are subject to the "taxation of financial arrangements" provisions in Division 230 of the Tax Act in relation to their Holding of PERLS XII; and/or
- in relation to a non-Australian resident, hold their PERLS XII through a permanent establishment in Australia.

This summary is not intended to be, nor should it be construed as being, investment, legal or tax advice to any particular Holder.

This summary is based on Australian tax laws and regulations, interpretations of such laws and regulations, and administrative practice as at the date of this Prospectus.

5.4.2 Class ruling sought on PERLS XII

CBA has applied to the ATO for a public class ruling confirming certain Australian income tax consequences for Australian resident Holders. In accordance with usual practice, a class ruling will only be issued after the public announcement of a transaction and will not become operative until it is published in the Government Gazette.

When issued, copies of the class ruling will be available from www.ato.gov.au and from the Investor Centre at <https://www.commbank.com.au/about-us/investors/other-securities>.

It is expected that, when issued, the class ruling will:

- only be binding on the Commissioner of Taxation if the Offer is carried out in the specific manner described in the class ruling;
- only apply to Australian resident Holders that are within the class of entities specified in the class ruling, which is expected to be Australian resident Holders who acquire their PERLS XII through the Offer and hold them on capital account for tax purposes. Therefore, the class ruling will not apply to Australian resident Holders who hold their PERLS XII as trading stock or on revenue account;
- only rule on taxation laws applicable as at the date the class ruling is issued;
- not consider the tax consequences of an early Exchange or Resale;
- not consider the taxation treatment of Distributions received by partnerships or trustee investors; and
- not consider the tax consequences for Australian resident Holders for whom gains and losses from PERLS XII are subject to the “taxation of financial arrangements” provisions in Division 230 of the Tax Act. It is noted that Division 230 will generally not apply to the financial arrangements of individuals, unless an election has been made for those rules to apply.

Class rulings are split into parts being (i) the ruling section where the Commissioner of Taxation provides a binding ruling on the application of the law and (ii) non-binding sections.

There is one issue that will only be addressed in a non-binding section of the ruling. The issue relates to a rule which applies when the issuer of the instrument (here, CBA) is entitled to a deduction in a foreign jurisdiction in relation to distributions paid on the instrument. It is possible that this rule could apply to Distributions paid on PERLS XII as a result of the manner in which CBA's offshore branches are required to calculate taxable income in foreign jurisdictions. The Commissioner of Taxation is aware of the potential application of this rule and, subject to CBA entering into a deed, has agreed to use his general administrative powers to not deny Holders the benefit of either franking credits or tax offsets in relation to the Distributions. As the Commissioner of Taxation is providing this confirmation under his general administrative powers, it will be provided in a non-binding section of the class ruling. CBA will enter into a deed with the Commissioner of Taxation and will provide undertakings in relation to the potential application of this rule. The deed, and compliance by CBA with its undertakings under the deed, will not have any negative impact on Holders.

5.4.3 Distributions on PERLS XII

PERLS XII should be characterised as non-share equity interests for Australian income tax purposes.

5.4.3.1 Australian resident Holders

Distributions should be treated as non-share dividends that are frankable.

Generally, provided that a Holder is a “qualified person” and the ATO does not make a determination under the dividend streaming rules to deny the benefit of the franking credits to the Holder, the Holder:

- should include the amount of the Distribution as well as an amount equal to the franking credits attached to the Distribution in their assessable income in the income year in which they received the Distribution; and
- should qualify for a tax offset equal to the franking credits attached to the Distribution which can be applied against their income tax liability for the relevant income year.

A Holder that is an individual or complying superannuation fund may be able to receive a cash tax refund from the ATO if the tax offset equal to the franking credits attached to the Distribution exceeds the tax payable on the Holder's total taxable income. A Holder that is a company will not be entitled to a tax refund of the excess franking credits. Rather, the surplus franking credits may be converted to a tax loss which can be carried forward to future years (subject to the Holder satisfying certain loss carry forward rules).

A Holder should be a “qualified person” if the “holding period rule” and the “related payments rule” are satisfied. Generally:

- to satisfy the “holding period rule”, a Holder must have held their PERLS XII “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 day on which they are acquired and ending on the 90th day after they become ex-distribution. To be held “at risk”, a Holder must retain 30% or more of the risks and benefits associated with holding their PERLS XII. Where a Holder undertakes risk management strategies in relation to their PERLS XII (e.g. by the use of limited recourse loans, options or other derivatives), the Holder's ability to satisfy the “at risk” requirement of the “holding period rule” may be affected; and
- under the “related payments rule”, a Holder who is obliged to make a “related payment” (essentially a payment passing on the benefit of the Distribution) in respect of a Distribution must hold the PERLS XII “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, they become ex-distribution.

A Holder who is an individual is automatically treated as a “qualified person” for these purposes if the total amount of the tax offsets in respect of all franked amounts to which the Holder is entitled in an income year does not exceed A\$5,000. This is referred to as the “small shareholder rule”. However, a Holder will not be a “qualified person” under the small shareholder rule if “related payments” have been made, or will be made, in respect of such amounts.

There are anti-avoidance rules which can deny the benefit of franking credits to Holders in certain situations.

One such rule (in section 207-158 of the Tax Act) applies when the issuer of the instrument (here, CBA) is entitled to a deduction in a foreign jurisdiction in relation to distributions paid on the instrument. It is possible that this rule could apply to Distributions paid on PERLS XII as a result of how CBA's offshore branches are required to calculate taxable income in foreign jurisdictions. The Commissioner of Taxation is aware of this issue and, subject to CBA entering into a deed, has agreed to use his general administrative powers to not deny Holders the benefit of either franking credits or tax offsets in relation to Distributions. The Commissioner of Taxation will confirm this position in the PERLS XII class ruling. CBA will enter into a deed with the Commissioner of Taxation and will provide undertakings in relation to the potential application of section 207-158.

Of the other anti-avoidance rules, the most significant is in section 177EA of the Tax Act. The High Court in *Andrew Vincent Mills v FCT [2012] HCA 51 ("Mills")* considered the operation of section 177EA in the context of the PERLS V securities issued by CBA on 14 October 2009. The High Court unanimously held that section 177EA did not apply in respect of frankable distributions paid on the PERLS V securities.

In light of the decision in Mills, and having regard to the ATO's current practices, neither section 177EA, nor other anti-avoidance rules, should apply to Distributions on PERLS XII, subject to the particular circumstances of a Holder.

5.4.3.2 Non-Australian resident Holders

Distributions should not be subject to Australian non-resident withholding tax to the extent the Distributions are franked.

To the extent an unfranked Distribution is paid to non-Australian resident Holders, withholding tax will be payable. The rate of withholding tax is 30%. However, non-Australian resident Holders may be entitled to a reduction in the rate of withholding tax if they are resident in a country which has a double taxation agreement with Australia.

5.4.4 Disposal of PERLS XII

5.4.4.1 Disposal other than through Exchange

(a) Australian resident Holders

On the disposal (including on-market disposal, Redemption or Resale) of PERLS XII, Australian resident Holders will be required to include any gain in their assessable income in the income tax year in which the disposal occurs. The gain will generally be equal to the proceeds from the disposal less the cost of acquisition for their PERLS XII.

As PERLS XII are not "traditional securities", qualifying Holders (individuals, trusts and complying superannuation funds) who have held their PERLS XII for at least 12 months prior to disposal may be eligible for the CGT discount concession on any capital gain made on disposal.

The Federal Government has announced that "managed investment trusts" ("MITs") and "attribution MITs" ("AMITs") will no longer be entitled to the CGT discount at the trust level from 1 July 2020. MITs and AMITs that derive capital gains will continue to be able to distribute those amounts as capital gains that may be subject to the CGT discount in the hands of those beneficiaries who are entitled to the CGT discount.

Any loss on the disposal (including an on-market disposal) of PERLS XII should give rise to a capital loss for Holders under the CGT rules in the Tax Act. Capital losses are generally only deductible against capital gains, but can be carried forward for use in a later year.

If an Australian resident Holder realises a loss from an off-market disposal of PERLS XII, they should seek their own advice as to whether a loss is allowed in their circumstances.

(b) Non-Australian resident Holders

As PERLS XII are not "traditional securities", non-Australian resident Holders should generally not be taxable on any gain realised on disposal of their PERLS XII (as PERLS XII should generally not be "taxable Australian property").

5.4.4.2 Disposal through Exchange

Under specific provisions of the Tax Act, any gain or loss that would arise on Exchange should be disregarded. The consequence of this is that the gain or loss is effectively deferred, with a Holder's cost base in the Ordinary Shares acquired on Exchange reflecting the Holder's cost base in their PERLS XII. This outcome applies both to Australian resident Holders and non-Australian resident Holders.

5.4.5 Ordinary Shares acquired on Exchange

5.4.5.1 Australian resident Holders

The taxation treatment of any dividends received on Ordinary Shares acquired on Exchange will be broadly similar to that discussed in Section 5.4.3.1 "Australian resident Holders".

The Ordinary Shares will not be traditional securities. As such, any gain or loss realised on disposal should be taxable under the CGT provisions. For CGT purposes, the Ordinary Shares acquired on Exchange will be taken to have been acquired on the Exchange Date. This means that the Ordinary Shares would need to be held for at least 12 months after the Exchange Date in order for qualifying Holders (individuals, trusts and complying superannuation funds) to be eligible for the CGT discount concession on a subsequent disposal.

5.4.5.2 Non-Australian resident Holders

The tax treatment of any dividends received on Ordinary Shares will be broadly similar to that discussed in Section 5.4.3.2 "Non-Australian resident Holders".

Non-Australian resident Holders should generally not be taxable on any gain realised on disposal of their Ordinary Shares (as the Ordinary Shares should generally not be "taxable Australian property").

5.4.6 Provision of TFN and/or ABN

The *Taxation Administration Act 1953* (Cth) imposes withholding tax (currently at the rate of 47%) on the payment of distributions on certain types of investments such as the unfranked part (if any) of Distributions.

However, where a Holder has provided CBA with their TFN or, in certain circumstances, their ABN, or has notified CBA that they are exempt from providing this information, CBA is not required to withhold any amount on account of tax from payments.

A Holder is not required to provide their TFN or ABN to CBA.

5.4.7 GST

GST is not payable on the issue, receipt, disposal, Exchange, Redemption or Resale of PERLS XII.

GST is not payable in relation to the payment of Distributions, or repayment of the Face Value, by CBA.

5.4.8 Stamp duty

No stamp duty should be payable on the issue, receipt, disposal, Exchange, Redemption or Resale of PERLS XII.

5.5 US Persons

PERLS XII have not been and will not be registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. They may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, any US Person, unless an exemption from such registration applies. Any offer, sale or resale of PERLS XII within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if made prior to 40 days after the Closing Date or if purchased by a dealer in the Offer.

The Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any US Person. Neither this Prospectus nor any Application Forms or other materials relating to the Offer may be distributed in the United States.

Each Applicant in the Offer will be taken to have represented, warranted and agreed on behalf of itself and each person for whom it is applying for PERLS XII as follows:

- it is not located in the United States at the time of application and it is not, and is not acting for the account or benefit of, any US Persons;
- it has not distributed this Prospectus or any other written materials concerning the Offer to any person in the United States or to any US Persons; and
- it understands that PERLS XII have not been and will not be registered under the US Securities Act and may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, any US Person, unless an exemption from such registration applies.

5.6 Consents to be named

Each of the parties named below has given its written consent to be named in this Prospectus in the form and context in which it is named and has not, at the date of this Prospectus, withdrawn its consent:

- Arranger;
- each Joint Lead Manager;
- each Co-Manager;
- PricewaterhouseCoopers Securities Ltd;
- Allens;
- Greenwoods & Herbert Smith Freehills; and
- Registry.

Except as outlined above, none of the parties has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based. Each party, expressly disclaims all liability in respect of, makes no representations regarding, and takes no responsibility for, any statements in, or omissions from, this Prospectus. This applies to the maximum extent permitted by law and does not apply to any matter to the extent to which consent is given.

5.7 Interests of Advisers

CBA will pay to the Arranger a fee of A\$10 million, based on certain assumptions in relation to the final Offer size and the allocation of PERLS XII between the Broker Firm Offer and Securityholder Offer.

The Arranger will pay (out of its own fees), on behalf of CBA, the Joint Lead Managers a management fee of 0.50%, and a selling fee of 0.75%, of their Broker Firm Allocation. The Arranger will pay, on behalf of CBA, the Co-Managers and Participating Brokers a selling fee of 0.75% of their Broker Firm Allocation.

CBA may pay to the Arranger, and in such circumstances the Arranger will pay on CBA's behalf to certain investors, a commitment fee of up to 0.75% of the Application Monies paid by those investors. This is subject to the satisfaction of certain conditions, including a minimum bid under the Bookbuild and a minimum holding period in respect of PERLS XII allocated to those investors.

Fees payable by CBA to the Arranger and by the Arranger, on behalf of CBA, to the Joint Lead Managers, Co-Managers and Participating Brokers (each a "Syndicate Broker") are exclusive of any GST.

Allens is acting as Australian legal adviser (other than in relation to taxation) to CBA in relation to the Offer. In respect of this work, CBA estimates that approximately A\$175,000 (excluding disbursements and GST) will be payable to Allens. Further amounts may be paid to Allens under its normal time based charges.

Greenwoods & Herbert Smith Freehills is acting as Australian tax adviser to CBA in relation to the Offer. In respect of this work, CBA estimates that approximately A\$100,000 (excluding disbursements and GST) will be payable to Greenwoods & Herbert Smith Freehills. Further amounts may be paid to Greenwoods & Herbert Smith Freehills under its normal time based charges.

PricewaterhouseCoopers Securities Ltd is acting as accounting adviser to CBA in relation to the Offer and has performed specific agreed procedures relating to certain financial matters disclosed in this Prospectus. CBA estimates that approximately A\$90,000 (excluding disbursements and GST) will be payable to PricewaterhouseCoopers Securities Ltd in respect of this work. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd under its normal time based charges.

Other than as disclosed 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 CBA;
- the Offer; or
- any property acquired or proposed to be acquired by CBA in connection with the Offer.

Other than as disclosed in this Prospectus, no person 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 Offer.

5.8 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director or any proposed Director holds at the date of this Prospectus, or has held in the two years before this date, an interest in:

- the formation or promotion of CBA;
- the Offer; or
- any property acquired or proposed to be acquired by CBA in connection with the Offer,

and no amount (whether in cash, PERLS XII or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to the Directors or any proposed Director to induce that person to become, or qualify as a Director, or for services in connection with the formation or promotion of CBA or the Offer.

The Directors and any proposed Director (and their respective associates) may acquire PERLS XII under the Offer. Holdings of these securities are subject to the ASX Listing Rules (including the waivers described in Section 5.11 "Regulatory relief"). Details of the Directors' holdings of Ordinary Shares and other securities of CBA are disclosed to, and available from, the ASX at www.asx.com.au. Details of the remuneration paid to Directors is set out in the Remuneration Report in the 2019 Annual Report. The 2019 Annual Report can be obtained free of charge from the Investor Centre at www.commbank.com.au/annual-reports.

5.9 Dealings in CommBank PERLS XII Capital Notes

Subject to applicable legal requirements and with APRA's prior written approval (where required), CBA and other members of the CBA Group may subscribe for, purchase or resell PERLS XII from time to time.

5.10 Personal information

If you lodge an Application, CBA will collect information about you. CBA will use this information to process your Application, identify you, administer your PERLS XII and keep in touch with you in relation to your PERLS XII.

CBA may disclose this information on a confidential basis for these purposes to its subsidiaries and related companies, as well as to agents, contractors and third party service providers that provide services on its or their behalf (e.g. the Registry and a printing firm or mailhouse engaged to print and mail statements to you). Some of these parties or parts of their businesses may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

CBA may share your information with its subsidiaries and related companies to:

- enable the CBA Group to have an integrated view of its customers and investors; and
- provide you with information about the CBA Group's products and services.

If you used a financial adviser who recommended your investment in PERLS XII (as indicated on your Application Form), CBA may disclose details of your holding to that adviser.

CBA will also disclose this information if required or permitted to do so by law (e.g. taxation laws, social security laws or court orders) or the ASX Listing Rules or if you consent to or request the disclosure.

If you think CBA's records of your personal information are incorrect or out of date, you can contact CBA and request that the information be corrected. Subject to certain exceptions, you may access your information at any time by contacting the Registry in writing. CBA is permitted to charge a fee for such access but does not intend to do so.

You may choose not to provide your personal information or to limit the information you provide, in which case CBA may not be able to process your Application, administer your PERLS XII, or make payments to you.

Please call the PERLS XII Information Line on 1800 992 547 (Monday to Friday 8.00am – 7.30pm, Sydney time) during the Offer Period if you do not wish to receive marketing materials from CBA.

5.11 Regulatory relief

CBA has received the following ASX confirmations or waivers in relation to the Terms and the Offer:

- a confirmation that the Terms are appropriate and equitable for the purposes of listing rule 6.1;
- a confirmation that listing rule 6.12 does not apply to Exchange, or Resale or repurchase of PERLS XII;
- a confirmation that listing rule 7.1 is to be applied to CBA as if PERLS XII were counted as the number of Ordinary Shares into which they would convert based on the market price of Ordinary Shares immediately prior to the announcement of the Offer;
- a waiver to listing rule 10.11 to permit the Directors and their associates collectively to participate in the Offer without shareholder approval subject to the Directors and their associates being restricted to applying for in aggregate no more than 0.20% of the number of PERLS XII issued, and the participation of the Directors and their associates in the Offer being on the same terms and conditions as applicable to other subscribers for PERLS XII; and
- approval to allow PERLS XII to trade on a deferred settlement basis for a short time following the Issue Date and quotation of PERLS XII on ASX.

5.12 Governing law

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

5.13 Consent of Directors

Each Director and the proposed Director has authorised this Prospectus and consented to its lodgement with ASIC.

5.14 PERLS XII securityholder communications

A distribution statement in the form you nominate (electronic or paper) will be sent to you for your tax records or alternatively can be accessed through the Registry at www.linkmarketservices.com.au. Where no communication preference has been nominated, hard copies of distribution statements will be provided by mail.

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Women's financial wellbeing guide

The financial issues affecting women are unique. CommBank has created a guide to help women build their financial independence and become financially secure

Section 6

How to Apply

- 6.1 Applying for CommBank PERLS XII Capital Notes
- 6.2 Completing your Application
- 6.3 Issue and quotation of CommBank PERLS XII Capital Notes
- 6.4 Trading and Holding Statements

6.1 Applying for CommBank PERLS XII Capital Notes

To apply for PERLS XII, you must follow the instructions set out in the Application Form attached to, or accompanying, the Prospectus or the online Application Form at www.commsec.com.au.

You may apply for PERLS XII under one or more of:

- the Broker Firm Offer; or
- the Securityholder Offer.

The instructions for lodging your Application and accompanying Application Monies vary depending on whether you apply under the Broker Firm Offer or Securityholder Offer.

6.1.1 Applying under the Broker Firm Offer

The Broker Firm Offer is available to retail investors who are clients of a Syndicate Broker.

If you are applying under the Broker Firm Offer, you should contact the Syndicate Broker, who has offered you an allocation from their own Broker Firm Allocation, for information about how and when to lodge your Application and accompanying Application Monies. Generally, you will lodge your Application with your Syndicate Broker.

6.1.2 Applying under the Securityholder Offer

The Securityholder Offer is available to Eligible Securityholders.

You are an Eligible Securityholder if, at 7.00pm on 2 October 2019, you:

- are a holder of Ordinary Shares; or
- are a holder of PERLS VII, PERLS VIII, PERLS IX, PERLS X or PERLS XI; and
- you have a registered address in Australia.

As an Eligible Securityholder, you may apply for PERLS XII under the Securityholder Offer by either:

- applying online at www.commsec.com.au, providing your SRN or HIN, and following the instructions in relation to payment of your Application Monies; or
- following the instructions set out in the Application Form attached to, or accompanying, this Prospectus, and making payment of the Application Monies via BPAY®.

The most efficient way to ensure your Application is received by the Closing Date of the Offer, is to apply online at www.commsec.com.au.

Paper copies of this Prospectus and your personalised Application Form can be obtained free of charge by registering online at www.commsec.com.au, or by calling the PERLS XII Information Line on 1800 992 547 (Monday to Friday 8.00am - 7.30pm, Sydney time) during the Offer Period.

6.1.3 Applications by Institutional Investors

If you are an Institutional Investor, you must apply to participate in the Offer by contacting the Arranger prior to the Bookbuild who will provide additional information about how to apply. CBA reserves the right to not accept Applications that appear to be Applications from Institutional Investors where they have not been received through the Arranger.

6.2 Completing your Application

6.2.1 Minimum Application

The amount you have to pay for each PERLS XII is A\$100. You must apply for a minimum of 50 PERLS XII (A\$5,000), and thereafter in multiples of 10 PERLS XII (A\$1,000).

6.2.2 Completing your Application (if you don't apply online at www.commsec.com.au) and payment of Application Monies

If you are applying under the Broker Firm Offer, you should contact the Syndicate Broker who has offered you an Allocation for information about how and when to lodge your Application. Generally, you will lodge your Application with your Syndicate Broker. CBA and the Registry take no responsibility for any acts or omissions by your Syndicate Broker in connection with your Application.

If you are applying under the Securityholder Offer (other than through a Syndicate Broker), you should follow the instructions set out in your Application Form and make a BPAY® payment of your Application Monies. Your personalised Application Form will accompany a paper copy of this Prospectus which can be obtained free of charge by registering online at www.commsec.com.au, or by calling the PERLS XII Information Line on 1800 992 547 (Monday to Friday 8.00am - 7.30pm, Sydney time) during the Offer Period.

Application Monies must be paid via BPAY® in Australian dollars drawn on an Australian branch of a financial institution. When making your BPAY® payment, please use the specific biller code and your unique reference number provided with your personalised Application Form. Please note, CBA and the Registry will not accept payment by cheque for this Offer.

Applications under the Securityholder Offer and Application Monies (by BPAY®) must be received by 5.00pm (Sydney time) on the Closing Date which is expected to be 8 November 2019. Please note, your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY®, and policies with respect to processing BPAY® transactions may vary between banks, credit unions or building societies. You should allow sufficient time for the BPAY® payment to occur before the Closing Date of the Offer.

Applications and Application Monies will not be accepted at CBA's registered office or at any branch of CBA.

6.2.3 No brokerage or stamp duty

You do not have to pay brokerage or stamp duty on your Application for PERLS XII. However, you may have to pay brokerage (and applicable GST) on any subsequent purchases or sales of PERLS XII on ASX.

6.2.4 Allocation policy and refunds

Applications may be scaled back if there is excess demand for the Offer. This scaling will apply to all Applications under the Securityholder Offer.

If your Application is accepted, this does not mean that your Application will be accepted in full as CBA reserves the right to scale back your Application. Any scale back and the basis of allocation will be announced on the date that deferred settlement trading commences (expected to be 15 November 2019) on ASX and through advertisements in The Australian and The Australian Financial Review newspapers.

If you have applied under the Broker Firm Offer, your Syndicate Broker is responsible for determining your particular allocation from their own Broker Firm Allocation. CBA takes no responsibility for any allocation, scale-back or rejection that is decided by your Syndicate Broker.

Until PERLS XII are Issued, CBA 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.

If you are not allocated any PERLS XII or less than the number of PERLS XII you applied for, you will receive a refund payment as soon as practicable after the Closing Date. No interest will be payable on Application Monies which are refunded. Any interest earned in the trust account will be retained by CBA.

6.3 Issue and quotation of CommBank PERLS XII Capital Notes

CBA will make an application for PERLS XII to be quoted on ASX with 7 days of the date of this Prospectus.

It is expected that PERLS XII will be quoted under code "CBAPI".

If ASX does not grant permission for PERLS XII to be quoted by the Issue Date, PERLS XII will not be Issued and all Application Monies will be refunded (without interest) as soon as practicable.

6.4 Trading and Holding Statements

6.4.1 Commencement of trading of PERLS XII on ASX

It is expected that PERLS XII will begin trading on ASX on a deferred settlement basis on 15 November 2019. Trading on a deferred settlement basis occurs when Holding Statements have not yet been despatched and it is not possible to settle trades on a trade date plus two business days (T+2) basis. The trade is settled on a date specified by ASX.

It is expected that PERLS XII will begin trading on ASX on a normal settlement basis on 19 November 2019.

It is your responsibility to determine your holding of PERLS XII before trading to avoid the risk of selling PERLS XII you do not own. To assist you in determining your holding prior to receipt of a Holding Statement, CBA will announce the basis of Allocation by placing advertisements in The Australian and The Australian Financial Review newspapers on or around the date that deferred settlement trading commences (expected to be 15 November 2019). You should also check your holding by asking your Syndicate Broker or calling the PERLS XII Information Line on 1800 992 547 (Monday to Friday 8.00am - 7.30pm, Sydney time) from the Issue Date.

6.4.2 Holding Statements

CBA has applied for PERLS XII to participate in CHESS and, if accepted, no certificates will be issued. Instead, a Holding Statement will be mailed to Holders.

If your holding of PERLS XII changes, you will receive an updated Holding Statement.

6.4.3 Provision of TFN and/or ABN

On your welcome letter (which will be mailed to you), there will be guidance to update your TFN and/or ABN details should you wish to do so (see Section 5.4.6 "Provision of TFN and/or ABN"). If you wish to be mailed a form in which to provide your TFN and/or ABN there will be an information line on the welcome letter where you can call and request the form. Alternatively, you can download various shareholder forms at www.linkmarketservices.com.au.

6.4.4 Provision of bank account details for payments

On your welcome letter (which will be mailed to you), there will be guidance to update your bank account details for payment of Distributions and other amounts. If you wish to be mailed a form in which to provide your bank account details there will be an information line on the welcome letter where you can call and request the form. Alternatively, you can download various shareholder forms at www.linkmarketservices.com.au.

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Green mortgage initiative

CommBank has launched an innovative green mortgage initiative that rewards CBA mortgage customers by providing cashbacks to those who have certified solar panels installed and meet the eligibility criteria

Section 7

Glossary

W|U|O|E|S|N|B|O|S|J|E|D|J|O|E|

Term	Meaning
ABN	Australian Business Number
Alternative Market Rate	<p>A rate other than BBSW, that is, in CBA's opinion, generally accepted in the Australian market as the successor to the Market Rate, or if there is no such rate:</p> <ul style="list-style-type: none"> (a) a reference rate that is, in CBA's opinion, appropriate to floating rate debt securities of a tenor and interest period most comparable to PERLS XII; or (b) such other reference rate as CBA considers appropriate having regard to available comparable indices. <p>For the full definition, see Clause 2.2 of the Terms.</p>
Allocation	The number of PERLS XII allocated under this Prospectus to Applicants under the Broker Firm Offer and Securityholder Offer
2019 Annual Report	The annual report issued by CBA for the financial year ended 30 June 2019
Applicant	A person who completes an Application and pays Application Monies in accordance with the Application Form and this Prospectus
Application	A valid application for PERLS XII made through the Application Form in accordance with this Prospectus
Application Form	A paper or online form (as the context requires) attached to, or accompanying, this Prospectus or available at www.commsec.com.au upon which an Application for PERLS XII may be made
Application Monies	The amount payable on each Application, being the Initial Face Value multiplied by the number of PERLS XII applied for
APRA	Australian Prudential Regulation Authority
Arranger	Commonwealth Bank of Australia ABN 48 123 123 124
ASIC	Australian Securities and Investments Commission
ASIC Guidance	The guidance on hybrid securities published by ASIC on its MoneySmart website which can be found by searching "hybrid securities" at www.moneysmart.gov.au
ASX	ASX Limited ABN 98 008 624 691 or the securities market operated by it (as the context requires)
ASX Listing Rules	The listing rules of ASX, with any modification or waivers which ASX may grant to CBA from time to time
ATO	Australian Taxation Office
AUSTRAC	Australian Transaction Reports and Analysis Centre
Australian Financial Services Licence	Has the meaning given to that term in the Corporations Act
Banking Act	Banking Act 1959 (Cth)
Board	The board of directors of CBA or a committee appointed by the board of directors of CBA
BoCommLife	BoCommLife Insurance Company Limited (the sale of which to MS&AD Insurance Group Holdings was announced by CBA on 23 May 2018).
Bookbuild	The process conducted before the Offer opens where brokers and investors bid for PERLS XII and, on the basis of those bids, CBA sets the final Margin and announces it on ASX
Broker Firm Allocation	The Allocation allocated to a Syndicate Broker through the Bookbuild process
Broker Firm Offer	The offer to clients of Syndicate Brokers as described in Section 6 "How to Apply"
Business Day	<p>A day which is:</p> <ul style="list-style-type: none"> (a) a business day within the meaning of the ASX Listing Rules; and (b) for the purposes of calculation or payment of a Distribution, a date on which banks are open for general business in Sydney
Call Date	20 April 2027
Capital Trigger Event	Occurs when CBA determines, or APRA notifies CBA in writing that it believes, that either or both the CBA Level 1 CET1 Capital Ratio or CBA Level 2 CET1 Capital Ratio is equal to or less than 5.125%

Term	Meaning
CBA	Commonwealth Bank of Australia ABN 48 123 123 124, including foreign branches of Commonwealth Bank of Australia
CBA Group	CBA (or any NOHC that is a holding company of CBA) and its subsidiaries
CBA Level 1 CET1 Capital Ratio	In respect of the CBA Level 1 Group, the ratio of the CET1 Capital of the CBA Level 1 Group to the risk-weighted assets of the CBA Level 1 Group, calculated in accordance with APRA's prudential standards (as amended from time to time)
CBA Level 1 Group	CBA, or the "extended licensed entity" which is comprised of CBA and each subsidiary of CBA as specified in any approval granted by APRA in accordance with APRA's prudential standards (as amended from time to time)
CBA Level 2 CET1 Capital Ratio	In respect of the CBA Level 2 Group, the ratio of the CET1 Capital of the CBA Level 2 Group to the risk-weighted assets of the CBA Level 2 Group, calculated in accordance with APRA's prudential standards (as amended from time to time)
CBA Level 2 Group	CBA and each subsidiary that is recognised by APRA as part of CBA's Level 2 group in accordance with APRA's prudential standards (as amended from time to time)
CCB	Capital Conservation Buffer
CET1	Common Equity Tier 1
CET1 Capital	Ordinary share capital, retained earnings and certain other items recognised as capital under APRA's prudential standards
CET1 Capital Ratio	The ratio of the CET1 Capital to risk-weighted assets, calculated in accordance with APRA's prudential standards (as amended from time to time)
CGT	Capital Gains Tax
Change of Control Event	Occurs when: <ul style="list-style-type: none"> • a takeover bid is made and certain conditions are satisfied; or • a scheme of arrangement that is proposed is approved and certain conditions are satisfied. A Change of Control Event does not include the implementation of a NOHC structure
Chi-X	Chi-X Australia Pty Ltd ABN 47 129 584 667 or the securities market operated by it (as the context requires)
Closing Date	The closing date for the Broker Firm Offer and the Securityholder Offer which is expected to be 5.00pm (Sydney time) on 8 November 2019
Co-Managers	Bell Potter Securities Limited; Crestone Wealth Management; Evans Dixon Corporate Advisory Pty Limited
CommInsure Life	CBA's life insurance businesses in Australia (the sale of which to AIA Group Limited was announced by CBA on 21 September 2017)
Constitution	The constitution of CBA as amended from time to time
Corporations Act	The Corporations Act 2001 (Cth)
Deed Poll	means the deed poll entitled "PERLS XII Deed Poll" executed by CBA and dated on or around the date of the Bookbuild
Directors	Some or all of the directors of CBA
Distribution	Interest payable on PERLS XII under the Terms
Distribution Payment Date	In respect of each PERLS XII, 15 March, 15 June, 15 September and 15 December each year until that PERLS XII has been Exchanged or Redeemed, and also the Exchange Date or Redemption Date. If any Distribution Payment Date is not a Business Day, then the payment will be made in accordance with Clause 9.3 of the Terms. The first Distribution Payment Date is 15 March 2020
Distribution Period	Each period commencing on (and including) a Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date, whether or not a Distribution is, or is able to be, paid on that date. However: <ul style="list-style-type: none"> (a) the first Distribution Period commences on (and includes) the Issue Date; and (b) the final Distribution Period ends on (but excludes) the Exchange Date or Redemption Date, as applicable
Distribution Rate	(Market Rate + Margin) x (1 – Tax Rate)

Term	Meaning
Eligible Securityholder	Holders of Ordinary Shares, PERLS VII, PERLS VIII, PERLS IX, PERLS X and PERLS XI as described in Section 6.1.2 "Applying under the Securityholder Offer"
Equal Ranking Securities	Each of PERLS VII, PERLS VIII, PERLS IX, PERLS X, PERLS XI, PERLS XII and any preference shares in the capital of CBA or any other securities which rank or are expressed to rank equally with PERLS XII in a winding up of CBA, present and future, excluding any Junior Ranking Securities
Exchange	The exchange of all, some or a proportion of each PERLS XII for Ordinary Shares under the Terms and Exchanged has a corresponding meaning
Exchange Number	The number of Ordinary Shares on Exchange calculated in accordance with Clause 7.1 of the Terms
Face Value	A\$100 per PERLS XII (the Initial Face Value) reduced (if applicable) by the amount of Face Value per PERLS XII which has previously been Exchanged or the amount of Face Value per PERLS XII for which Holders' rights have been irrevocably terminated
FATCA	Foreign Account Tax Compliance Act incorporated in sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (or any consolidation, amendment, re-enactment or replacement of those sections and including any current or future regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those sections) and includes the Double Tax Agreement (United States of America – FATCA) Order 2014
GST	Goods and Services Tax as defined in A New Tax System (Goods and Services Tax) Act 1999 (Cth)
HIN	The holder identification number identifying the registration on the Register
Holder	A person whose name is entered in the Register as a holder of PERLS XII
Holding	At any time after Allocation, the number of PERLS XII held by a Holder
Holding Statement	A statement issued to Holders by the Registry which sets out the number of PERLS XII Issued to that Holder
Ineligible Holder	Has the meaning given in Clause 13.2 of the Terms
Initial Face Value	A\$100 per PERLS XII
Institutional Investor	An investor to whom PERLS XII are able to be offered under applicable laws without the need for any prospectus, registration or other formality (other than a registration or formality which CBA is willing to comply with)
IRS	The United States Internal Revenue Service
Issue	The process of issuing PERLS XII to Holders. Issued has a corresponding meaning
Issue Date	The date on which PERLS XII are Issued which is expected to be 14 November 2019
Joint Lead Managers	Commonwealth Bank of Australia; ANZ Securities Limited; Morgan Stanley Australia Securities Limited; Morgans Financial Limited; National Australia Bank Limited; Ord Minnett Limited; UBS AG, Australia Branch; Westpac Institutional Bank
Junior Ranking Securities	All Ordinary Shares, present and future
Leverage Ratio	An ADI's Tier 1 Capital divided by the ADI's total exposures (on and off balance sheet exposures). See Section 3.8.1.4 "Leverage Ratio"
Mandatory Exchange Conditions	The conditions in Clause 3.2 of the Terms which must be satisfied before Exchange will occur. These are outlined in Section 2.3 "Mandatory Exchange"
Mandatory Exchange Date	20 April 2029 or such other date as determined under Clause 3.1 of the Terms
Margin	The margin for PERLS XII will be determined through the Bookbuild and is expected to be between 3.00% and 3.20% per annum

Term	Meaning
Market Rate	(a) Subject to paragraphs (b) and (c), the rate (expressed as a percentage per annum) for a term of 3 months as displayed on the “BBSW” page published through information vendors (or any page that replaces that page); (b) if CBA determines that a Market Rate Disruption Event has occurred, then, CBA shall: <ul style="list-style-type: none"> • use as the Market Rate such Alternative Market Rate as it may determine; and • make such adjustments to the Terms as it determines to be reasonably necessary to calculate Distributions in accordance with such Alternative Market Rate; provided that APRA's prior written approval will be required in respect of any such adjustment arising from an event that is specified in paragraph (c) or (d) of the definition of “Market Rate Disruption Event” below; and (c) in making the above determinations in paragraph (b) CBA: <ul style="list-style-type: none"> • shall act in good faith and in a commercially reasonable manner; • may consult such sources of market practice as it considers appropriate; and • may otherwise make such determination in its discretion. For the full definition, see Clause 2.2 of the Terms.
Market Rate Disruption Event	Occurs when in CBA's opinion, the Market Rate: <ul style="list-style-type: none"> (a) is not published by 10:30am or such other time that CBA considers appropriate on that day; (b) is published but is affected by an obvious error; (c) has been discontinued or otherwise ceased to be calculated or administered; or (d) is no longer generally accepted in the Australian market as a reference rate appropriate to floating rate debt securities of a tenor and interest period comparable to that of PERLS XII.
Maximum Exchange Number	The number of Ordinary Shares calculated in accordance with the formula in Clause 7.1 of the Terms
NOHC	A “non-operating holding company” within the meaning of the Banking Act
NOHC Event	Occurs when the Board initiates a restructure of the CBA Group and a NOHC becomes the ultimate holding company of CBA
Nominee	means one or more third parties appointed by CBA in its absolute discretion (which cannot be CBA, a member of the CBA Group or a Related Body Corporate of CBA) under a facility established for the sale of Ordinary Shares issued by CBA on Exchange on behalf of Holders in the circumstances set out in Clause 7.10 of the Terms
Non-Viability Trigger Event	Occurs when APRA notifies CBA in writing that it believes: <ul style="list-style-type: none"> • Exchange of all or some PERLS XII (or the taking of an action in relation to other capital instruments of the CBA Group) is necessary because, without it, CBA would become non-viable; or • a public sector injection of capital or equivalent support, is necessary because, without it, CBA would become non-viable
Offer	The invitation by CBA in this Prospectus to subscribe for PERLS XII
Offer Management Agreement	The arrangement between CBA, the Arranger and Joint Lead Managers dated on or about 9 October 2019
Offer Period	The period from the Opening Date to the Closing Date
Opening Date	The opening date of the Offer which is 17 October 2019
Ordinary Share	A fully paid ordinary share in the capital of CBA
Participating Brokers	Any participating organisation of ASX selected by CBA or the Arranger to participate in the Bookbuild
PCR	Prudential Capital Requirement as stipulated by APRA. See Section 3.8.1.1 “Capital generally”
PERLS VII	CommBank PERLS VII Capital Notes issued by CBA in October 2014
PERLS VIII	CommBank PERLS VIII Capital Notes issued by CBA in March 2016
PERLS IX	CommBank PERLS IX Capital Notes issued by CBA in March 2017
PERLS X	CommBank PERLS X Capital Notes issued by CBA in April 2018

Term	Meaning
PERLS XI	CommBank PERLS XI Capital Notes issued by CBA in December 2018
PERLS XII	CommBank PERLS XII Capital Notes to be issued by CBA under the Terms
Prospectus	This Prospectus (whether in paper or electronic format) as supplemented or replaced
Purchaser	means one or more third parties selected by CBA in its absolute discretion (which cannot be CBA, a member of the CBA Group or a related body corporate of CBA)
Record Date	For payment of Distributions: (a) the date that is eight calendar days prior to the relevant Distribution Payment Date; or (b) such other date determined by CBA in its absolute discretion and communicated to ASX, or in either case such other date as may be required by, or agreed with, ASX
Redemption	The process through which CBA repays the Face Value of all or some PERLS XII under the Terms. Redeem and Redeemed have corresponding meanings
Redemption Date	In respect of each PERLS XII, the date specified by CBA as the Redemption Date in accordance with Clause 5 of the Terms
Register	The register of PERLS XII maintained by the Registry on CBA's behalf, and where appropriate including any subregister established and maintained in CHESS and any branch register
Registry	Link Market Services Limited ABN 54 083 214 537 or any other person appointed by CBA to maintain the Register
Resale	The sale of PERLS XII by Holders to the Purchaser in accordance with Clause 6 of the Terms. Resell and Resold have corresponding meanings
Securityholder Offer	The offer to Eligible Securityholders as described in Section 6 "How to Apply"
Securityholder Offer Record Date	2 October 2019
Senior Ranking Obligations	All deposits and other liabilities, securities (including Tier 2 Capital securities) and other obligations of CBA, present and future, other than Equal Ranking Securities or Junior Ranking Securities
Shareholder	A registered holder of Ordinary Shares in CBA
Sovereign	CBA's life insurance businesses in New Zealand (the sale of which to AIA Group Limited was announced by CBA on 21 September 2017)
Special Resolution	Has the meaning given in Clause 13.2 of the Terms
SRN	Shareholder Registration Number
Syndicate Broker	Any of the Joint Lead Managers and Co-Managers
Tax Act	Income Tax Assessment Act 1936 (Cth) and, where applicable, the Income Tax Assessment Act 1997 (Cth) (both as amended from time to time)
Terms	The terms of PERLS XII attached as a schedule to the Deed Poll, as set out in Appendix A
TFN	Tax File Number
Tier 1 Capital	CET1 Capital and certain securities recognised as Tier 1 Capital under APRA's prudential standards, on the relevant Level 1 or Level 2 basis, as defined by APRA from time to time
Tier 2 Capital	Certain securities recognised as Tier 2 Capital under APRA's prudential standards, on the relevant Level 1 or Level 2 basis, as defined by APRA from time to time
Total Capital	Sum of Tier 1 Capital (including CET1 Capital) and Tier 2 Capital
TymeDigital SA	Commonwealth Bank of South Africa (Holding Company) Limited
US Person	Has the meaning given in Regulation S of the US Securities Act
US Securities Act	United States Securities Act of 1933, as amended
VWAP	The average of the daily volume weighted average prices of Ordinary Shares traded on ASX and Chi-X during the relevant period, subject to any adjustments made under Clause 7 of the Terms

Appendix A

Terms of CommBank
PERLS XII Capital
Notes

1 Form of PERLS XII and ranking

1.1 Form

- (a) PERLS XII are perpetual, subordinated, unsecured notes of CBA, issued in registered form by entry in the Register.
- (b) Each entry in the Register evidences a separate and independent obligation which CBA owes to the relevant Holder, which that Holder may enforce without joining any other Holder or any previous Holder.
- (c) No certificates will be issued to Holders unless CBA is required to provide certificates by any applicable law or regulation.

1.2 Initial Face Value

Each PERLS XII is issued fully paid with an initial Face Value of A\$100.

1.3 CHESS

While PERLS XII remain in CHESS, all dealings (including transfers and payments) in relation to PERLS XII within CHESS, and the rights and obligations of each Holder, are subject to the rules and regulations of CHESS. To the extent there are inconsistencies between the rules and regulations of CHESS and the Terms, the Terms prevail.

1.4 ASX quotation

CBA must use all reasonable endeavours to procure that PERLS XII are quoted on ASX on or as soon as possible after the Issue Date.

1.5 Payment and ranking in a winding up of CBA

- (a) If an order is made by a court of competent jurisdiction in Australia (other than an order successfully appealed or permanently stayed within 30 days), or an effective resolution is passed, for the winding up of CBA in Australia, CBA must redeem each PERLS XII for its Face Value in accordance with this clause.
- (b) Holders do not have any right to prove in a winding up of CBA in respect of PERLS XII, other than a right to prove in a winding up of CBA in Australia as permitted under clauses 1.5(c) and 1.5(d).
- (c) Each PERLS XII ranks for payment in a winding up of CBA in Australia:
 - (i) after the claims of all holders of Senior Ranking Obligations;
 - (ii) equally with each Holder and holders of Equal Ranking Securities; and
 - (iii) ahead of holders of Junior Ranking Securities.
- (d) In order to give effect to the ranking specified in clause 1.5(c), in any winding up of CBA in Australia, the claims of Holders are limited to the extent necessary to ensure that:
 - (i) all holders of Senior Ranking Obligations receive payment in full before any payment is made to Holders; and

(ii) Holders of PERLS XII and holders of any Equal Ranking Securities receive payments on a pro-rata basis.

(e) Nothing in this clause limits the ability of CBA to, in its absolute discretion from time to time, issue further Senior Ranking Obligations or Equal Ranking Securities.

(f) Holders may not exercise voting rights as a creditor in respect of PERLS XII in a winding up of CBA to defeat the subordination in this clause.

(g) PERLS XII are perpetual and the Terms do not include events of default or any other provisions entitling the Holders to require that PERLS XII be Redeemed other than under this clause 1.5. Holders do not have any right to apply for the winding up or administration of CBA, or to cause a receiver, or receiver and manager, to be appointed in respect of CBA, on the ground of CBA's failure to pay Distributions or for any other reason.

(h) To avoid doubt but subject to clause 4.6, if a Capital Trigger Event or Non-Viability Trigger Event has occurred, Holders will rank for payment in a winding up of CBA in Australia as holders of the number of Ordinary Shares to which they became entitled under clauses 4.1 or 4.2.

1.6 No set off

- (a) CBA has no right to set-off any amounts owing by it to a Holder in respect of PERLS XII against any claims owing by the Holder to it or to any member of the CBA Group.
- (b) No Holder has any right to set-off any amounts, merge accounts or exercise any other rights the effect of which is or may be to reduce the amount payable by CBA in respect of PERLS XII to the Holder.

1.7 Not deposit liabilities of CBA

- (a) PERLS XII are not deposit liabilities or "protected accounts" of CBA for the purpose of the Banking Act.
- (b) No member of the CBA Group guarantees PERLS XII and no member of the CBA Group, other than CBA, has any liability for PERLS XII.

1.8 No other rights

Before Exchange, PERLS XII confer no rights on a Holder:

- (a) to attend or vote at any meeting of CBA members;
- (b) to subscribe for new securities of CBA or to participate in any bonus issues of securities of CBA; or
- (c) to otherwise participate in the profits or property of CBA, except by receiving payments as set out in these Terms.

2 Distributions

2.1 Distributions

- (a) Each PERLS XII bears interest on its Face Value during each Distribution Period from (and including) the Issue Date to (but excluding) the Exchange Date or Redemption Date for that PERLS XII, at the Distribution Rate.

- (b) Interest on each PERLS XII is payable in arrears on each Distribution Payment Date.
- (c) Payment of interest on each PERLS XII is subject to clauses 2.5, 2.6 and 9.

2.2 Distribution Rate determination

The Distribution Rate (expressed as a percentage per annum) for each Distribution Period is the rate calculated according to the following formula:

Distribution Rate =

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

where:

Market Rate means

- (a) subject to paragraph (b), the Bank Bill Swap Reference Rate administered by ASX Benchmarks Pty Limited (or any other person that takes on the administration of that rate) expressed as a percentage per annum for a term of 3 months as displayed on the "BBSW" page published through information vendors (or any page that replaces that page) on the first Business Day of the Distribution Period, provided that where PERLS XII are Resold, Exchanged or Redeemed on a day which is not a scheduled Distribution Payment Date, and a Distribution is payable, then the Market Rate for the Distribution Period commencing on the Resale Date, Exchange Date or Redemption Date (as applicable) in respect of such PERLS XII shall be the Market Rate for the Distribution Period preceding the relevant Resale Date, Exchange Date, or Redemption Date; and
- (b) if CBA determines that a Market Rate Disruption Event has occurred, then, CBA shall:
 - (i) use as the Market Rate such Alternative Market Rate as it may determine; and
 - (ii) make such adjustments to the Terms as it determines to be reasonably necessary to calculate Distributions in accordance with such Alternative Market Rate;
 provided that APRA's prior written approval will be required in respect of any such adjustment arising from an event that is specified in paragraph (iii) or (iv) of the definition of "Market Rate Disruption Event" in clause 2.2(d); and
- (c) in making the above determinations in paragraph (b), CBA:
 - (i) shall act in good faith and in a commercially reasonable manner;
 - (ii) may consult such sources of market practice as it considers appropriate; and
 - (iii) may otherwise make such determination in its discretion.
- (d) For the purposes of this clause:

Market Rate Disruption Event occurs when, in CBA's opinion, the Market Rate in paragraph (a) of the definition:

- (i) is not published by 10:30am or such other time that CBA considers appropriate on that day;
- (ii) is published but is affected by an obvious error;

(iii) has been discontinued or otherwise ceased to be calculated or administered; or

(iv) is no longer generally accepted in the Australian market as a reference rate appropriate to floating rate debt securities of a tenor and interest period comparable to that of PERLS XII.

Alternative Market Rate means a rate other than the rate described in paragraph (a) of the definition of Market Rate, that is, in CBA's opinion, generally accepted in the Australian market as the successor to the Market Rate, or if there is no such rate:

- (a) a reference rate that is, in CBA's opinion, appropriate to floating rate debt securities of a tenor and interest period most comparable to PERLS XII; or
- (b) such other reference rate as CBA considers appropriate having regard to available comparable indices; and

provided that, CBA reserves the discretion to incorporate an adjustment (which may be positive or negative) or a formula or methodology for calculating such an adjustment in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit to Holders as a result of the use of an Alternative Market Rate. APRA's prior written approval will be required in respect of the Alternative Market Rate or any such adjustment arising from an event that is specified in paragraph (iii) or (iv) of the definition of "Market Rate Disruption Event" in this clause.

Margin means the rate (expressed as a percentage per annum) determined under the Bookbuild; and

Tax Rate means the Australian corporate tax rate on the relevant Distribution Payment Date (expressed as a decimal).

2.3 Calculation of Distributions

The Distribution payable on each PERLS XII for each Distribution Period is calculated according to the following formula:

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

where:

N means, in respect of a Distribution Period, the number of days in that Distribution Period.

2.4 Adjustment to calculation of Distributions if not fully franked

If any Distribution is not franked to 100% under Part 3-6 of the Tax Act, the Distribution will be calculated according to the following formula:

$$\text{Distribution payable} = \frac{D}{1 - [T \times (1 - F)]}$$

Where:

D means the Distribution calculated under clause 2.3;

T means the Australian corporate tax rate on the relevant Distribution Payment Date (expressed as a decimal); and

F means the franking percentage (as defined in Part 3-6 of the Tax Act) applicable to the franking account of CBA on the relevant Distribution Payment Date (expressed as a decimal).

2.5 Distribution payment conditions

The payment of any Distribution on any Distribution Payment Date is subject to:

- (a) CBA, in its absolute discretion, making the Distribution to Holders;
- (b) the payment of the Distribution not resulting in a breach of CBA's capital requirements under APRA's prudential standards as they are applied to the CBA Level 1 Group or the CBA Level 2 Group or both at the time of the payment;
- (c) the payment of the Distribution not resulting in CBA becoming, or being likely to become, Insolvent; and
- (d) APRA not otherwise objecting to the payment of the Distribution.

No Distribution will be paid on Exchange where Exchange occurs due to a Capital Trigger Event or Non-Viability Trigger Event.

CBA must notify ASX at least five Business Days before the relevant Record Date (or, if later, as soon as it decides not to make the Distribution) if payment of any Distribution will not be made because of this clause.

2.6 Distributions are discretionary and non-cumulative

Distributions are discretionary and non-cumulative. If payment of any Distribution is not made for any reason, CBA has no liability to pay that unpaid Distribution.

2.7 Dividend and capital restrictions in the event of non-payment

- (a) Subject to clause 2.7(b), if any Distribution is not paid to Holders in full on the relevant Distribution Payment Date, then CBA must not, without the approval of a Special Resolution:
 - (i) declare or determine a dividend; or
 - (ii) return any capital or undertake any buy-backs or repurchases,

(together **Restricted Actions**) in relation to any Ordinary Shares, unless the amount of any unpaid Distribution is paid in full within five Business Days of that date. If, on a subsequent Distribution Payment Date, a Distribution is paid in full, or if all PERLS XII have been Exchanged, Redeemed or otherwise terminated, then these restrictions cease to apply.

- (b) Clause 2.7(a) does not apply to:

- (i) Restricted Actions which CBA is legally obliged to pay or complete at the time any Distribution is not paid in full to Holders on a relevant Distribution Payment Date; or
 - (ii) Restricted Actions in connection with:

(A) any employment contract, employee share scheme, employee rights or option plan, or similar arrangement with, or for the benefit of, any one or more employees, officers, directors or consultants of CBA or its Related Bodies Corporate; or

(B) CBA or any of its Related Bodies Corporate purchasing Ordinary Shares in connection with transactions for the account of customers of CBA or customers of any of its Related Bodies Corporate.

2.8 Notification of Distribution Rate, Distribution payable and other items

- (a) CBA must notify ASX of the Distribution Rate, amount of Distribution payable and Distribution Payment Date for each Distribution Period.
- (b) CBA must give notice under this clause as soon as practicable after it makes its calculations and by no later than the fourth Business Day of the relevant Distribution Period.
- (c) CBA may amend its calculation or determination of any date, rate or amount (or make appropriate alternative arrangements by way of adjustment) including as a result of the extension or reduction of the Distribution Period or calculation period without prior notice but must notify ASX promptly after doing so.

2.9 Determination final

CBA's determination of all dates, rates and amounts under these Terms is, in the absence of wilful default, bad faith or manifest error, final and binding on CBA, the Registry and each Holder.

2.10 Calculations

For the purposes of any calculations required under these Terms:

- (a) all percentages resulting from the calculations must be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005% being rounded up to 0.00001%);
- (b) all figures must be rounded to four decimal places (with 0.00005 being rounded up to 0.0001); and
- (c) all amounts that are due and payable must be rounded to the nearest one Australian cent (with one half of an Australian cent being rounded up to one Australian cent).

3 Mandatory Exchange

3.1 Mandatory Exchange

Subject to clauses 4.1, 4.2, 4.6 and 5, CBA must Exchange all (but not some) PERLS XII on issue on the date that is the earlier of:

- (a) 20 April 2029 (**Scheduled Mandatory Exchange Date**); and
 - (b) the first Distribution Payment Date after the Scheduled Mandatory Exchange Date,
- (each a **Mandatory Exchange Date**) on which the Mandatory Exchange Conditions are satisfied.

3.2 Mandatory Exchange Conditions

- (a) The Mandatory Exchange Conditions for each Mandatory Exchange Date are:
- (i) the VWAP on the 25th Business Day on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Exchange Date is greater than 56% of the Issue Date VWAP (**First Mandatory Exchange Condition**);
 - (ii) the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Exchange Date is greater than 50.51% of the Issue Date VWAP (the **Second Mandatory Exchange Condition**); and
 - (iii) Ordinary Shares have not been Delisted as at the Mandatory Exchange Date (**Third Mandatory Exchange Condition**).
- (b) If the First Mandatory Exchange Condition is not satisfied, CBA will announce to ASX between the 25th and the 21st Business Day before the Mandatory Exchange Date that Exchange will not proceed on the Mandatory Exchange Date.
- (c) If the Second Mandatory Exchange Condition or Third Mandatory Exchange Condition is not satisfied, CBA will notify Holders on or as soon as practicable after the Mandatory Exchange Date that Exchange did not occur.

4 Early Exchange

4.1 Capital Trigger Event

- (a) A **Capital Trigger Event** occurs when:
- (i) CBA determines; or
 - (ii) APRA notifies CBA in writing that it believes, that either or both the CBA Level 1 Common Equity Tier 1 Capital Ratio or CBA Level 2 Common Equity Tier 1 Capital Ratio is equal to or less than 5.125%. CBA must immediately notify APRA in writing if it makes a determination under clause 4.1(a)(i).
- (b) If a Capital Trigger Event occurs, CBA must Exchange such number of PERLS XII (or, if it so determines, such percentage of the Face Value of each PERLS XII) as is sufficient (taking into account any exchange, conversion or write down of Relevant Securities as referred to in paragraph (c) below) to return either or both the CBA Level 1 Common Equity Tier 1 Capital Ratio or CBA Level 2 Common Equity Tier 1 Capital Ratio, as the case may be, to above 5.125%.
- (c) In determining the number of PERLS XII, or percentage of the Face Value of each PERLS XII, which must be Exchanged in accordance with this clause, CBA will:
- (i) firstly, exchange, convert or write down the face value of any Relevant Securities whose terms require or permit, or are taken by law to require or permit, them to be exchanged, converted or written down before Exchange of PERLS XII; and

(ii) secondly, if exchange, conversion or write down of those Relevant Securities is not sufficient, Exchange (in the case of PERLS XII) or exchange, convert or write down (in the case of any other Relevant Securities) on a pro-rata basis or in a manner that is otherwise, in the opinion of CBA, fair and reasonable, PERLS XII and any Relevant Securities whose terms require or permit, or are taken by law to require or permit, them to be Exchanged, converted or written down in that manner (subject to such adjustment as CBA may determine to take into account the effect on marketable parcels and whole numbers of Ordinary Shares and any PERLS XII or other Relevant Securities remaining on issue),

but such determination will not impede the immediate Exchange of the relevant number of PERLS XII or percentage of the Face Value of each PERLS XII (as the case may be).

- (d) For the purposes of clauses 4.1(b) and 4.1(c), where the specified currency of the face value of Relevant Securities and/or PERLS XII is not the same, CBA may treat them as if converted into a single currency of CBA's choice at such rate of exchange as CBA in good faith considers reasonable.
- (e) If a Capital Trigger Event occurs:
- (i) the relevant number of PERLS XII, or percentage of the Face Value of each PERLS XII, must be Exchanged immediately upon occurrence of the Capital Trigger Event in accordance with clauses 4.5 and 7 and the Exchange will be irrevocable;
 - (ii) CBA must give notice as soon as practicable that Exchange has occurred to ASX and the Holders;
 - (iii) the notice must specify the date on which the Capital Trigger Event occurred; and
 - (iv) the notice must specify the details of the Exchange process, including any details which were taken into account in relation to the effect on marketable parcels and whole numbers of Ordinary Shares, and the impact on any PERLS XII remaining on issue.

Failure to undertake any of the steps in clauses 4.1(e) (ii) to (iv) does not prevent, invalidate or otherwise impede Exchange.

4.2 Non-Viability Trigger Event

- (a) A **Non-Viability Trigger Event** occurs when APRA notifies CBA in writing that it believes:
- (i) Exchange of all or some PERLS XII, or exchange, conversion or write down of capital instruments of the CBA Group, is necessary because, without it, CBA would become non-viable; or
 - (ii) a public sector injection of capital, or equivalent support, is necessary because, without it, CBA would become non-viable.

APRA may specify an aggregate face value of capital instruments which must be Exchanged, converted or written down (as applicable).

- (b) If a Non-Viability Trigger Event occurs, CBA must Exchange such number of PERLS XII (or, if it so determines, such percentage of the Face Value of each PERLS XII) as is equal (taking into account any exchange, conversion or write down of Relevant Securities as referred to in paragraph (c) below) to the aggregate face value of capital instruments which APRA has notified CBA must be Exchanged, converted or written down (or, if APRA has not so notified CBA, such number or, if CBA so determines, such percentage of the Face Value of each PERLS XII, as is necessary to satisfy APRA that CBA will no longer be non-viable). If a Non-Viability Trigger Event occurs under clause 4.2(a)(ii), CBA must Exchange all PERLS XII.
- (c) In determining the number of PERLS XII, or percentage of the Face Value of each PERLS XII, which must be Exchanged in accordance with this clause, CBA will:
- (i) firstly, exchange, convert or write down the face value of any Relevant Securities whose terms require or permit, or are taken by law to require or permit, them to be exchanged, converted or written down before Exchange of PERLS XII; and
 - (ii) secondly, if exchange, conversion or write down of those securities is not sufficient, Exchange (in the case of PERLS XII) or exchange, convert or write down (in the case of any other Relevant Securities), on a pro-rata basis or in a manner that is otherwise, in the opinion of CBA, fair and reasonable, PERLS XII and any Relevant Securities whose terms require or permit, or are taken by law to require or permit, them to be Exchanged, converted or written down in that manner (subject to such adjustments as CBA may determine to take into account the effect on marketable parcels and whole numbers of Ordinary Shares and any PERLS XII or other Relevant Securities remaining on issue),
- but such determination will not impede the immediate Exchange of the relevant number of PERLS XII or percentage of the Face Value of each PERLS XII (as the case may be).
- (d) For the purposes of clauses 4.2(b) and 4.2(c), where the specified currency of the face value of Relevant Securities and/or PERLS XII is not the same, CBA may treat them as if converted into a single currency of CBA's choice at such rate of exchange as CBA in good faith considers reasonable.
- (e) If a Non-Viability Trigger Event occurs:
- (i) the relevant number of PERLS XII, or percentage of the Face Value of each PERLS XII, must be Exchanged immediately upon occurrence of the Non-Viability Trigger Event in accordance with clauses 4.5 and 7 and the Exchange will be irrevocable;
 - (ii) CBA must give notice as soon as practicable that Exchange has occurred to ASX and the Holders;

- (iii) the notice must specify the date on which the Non-Viability Trigger Event occurred; and
- (iv) the notice must specify the details of the Exchange process, including any details which were taken into account in relation to the effect on marketable parcels and whole numbers of Ordinary Shares, and the impact on any PERLS XII remaining on issue.

Failure to undertake any of the steps in clauses 4.2(e) (ii) to (iv) does not prevent, invalidate or otherwise impede Exchange.

4.3 Mandatory Exchange Conditions do not apply to Capital Trigger Event or Non-Viability Trigger Event

For the avoidance of doubt, the Mandatory Exchange Conditions do not apply to Exchange as a result of a Capital Trigger Event or Non-Viability Trigger Event occurring.

4.4 Priority of Early Exchange Obligations

An Exchange required because of a Capital Trigger Event or a Non-Viability Trigger Event takes place notwithstanding anything in clause 3.

4.5 Automatic Exchange upon the occurrence of a Capital Trigger Event or Non-Viability Trigger Event

If a Capital Trigger Event or Non-Viability Trigger Event has occurred and all or some PERLS XII (or percentage of the Face Value of each PERLS XII) are required to be Exchanged in accordance with clauses 4.1 or 4.2, then:

- (a) Exchange of the relevant PERLS XII or percentage of the Face Value of each PERLS XII will occur in accordance with clause 7 immediately upon the date of occurrence of the Capital Trigger Event or Non-Viability Trigger Event; and
- (b) the entry of the corresponding PERLS XII in each relevant Holder's holding in the Register will constitute an entitlement of that Holder to the relevant number of Ordinary Shares (and, if applicable, also to any remaining balance of PERLS XII or remaining percentage of the Face Value of each PERLS XII), and CBA will recognise the Holder as having been issued the relevant Ordinary Shares for all purposes,

in each case without the need for any further act or step by CBA, the Holder or any other person (and CBA will, as soon as possible thereafter and without delay on the part of CBA, take any appropriate procedural steps to record such Exchange, including updating the Register and the Ordinary Share register and seek quotation of Ordinary Shares issued on Exchange).

For the avoidance of doubt:

- (c) nothing in this clause allows a payment to be made to a Holder upon Exchange; and
- (d) Exchange under this clause takes priority over a notice for Redemption issued under clauses 5.1, 5.2, 5.3 or 5.4.

4.6 No further rights if Exchange cannot occur

If, for any reason, Exchange of any PERLS XII (or a percentage of the Face Value of any PERLS XII) required to be Exchanged under clauses 4.1 or 4.2 fails to take effect under clauses 4.5(a) and 4.5(b) and CBA has not otherwise issued the Ordinary Shares required to be issued in respect of such Exchange within five Business Days after the date of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event, then the relevant Holders' rights (including to payment of the Face Value and Distributions, and the right to receive Ordinary Shares) in relation to such PERLS XII or percentage of the Face Value of PERLS XII are immediately and irrevocably terminated and such termination will be taken to have occurred immediately on the date of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event. CBA must give notice as soon as practicable that such termination has occurred to the Holders and such notice must be announced on ASX, and the notice must specify the date on which the Capital Trigger Event or Non-Viability Trigger Event occurred.

4.7 Change of Control Event

(a) A **Change of Control Event** occurs when:

- (i) a takeover bid is made for Ordinary Shares
 - (A) acceptance of which is recommended by the Board and which is or has become unconditional or
 - (B) which is or has become unconditional and the voting power of the offeror in CBA is or has become greater than 50%; or
- (ii) in respect of a scheme of arrangement under Part 5.1 of the Corporations Act which would result (if implemented) in a person having voting power in more than 50% of CBA, the earlier of
 - (A) a court approving the scheme, and (B) the Board determining that such event should be treated as a Change of Control Event for the purposes of this clause,

provided that clause 4.7(a)(ii) does not include a scheme of arrangement which would result in a NOHC Event.

(b) If a Change of Control Event occurs, then:

- (i) CBA must Exchange all (but not some) PERLS XII;
- (ii) CBA must give notice as soon as practicable and in any event within 10 Business Days after becoming aware of that event occurring to ASX and the Holders;
- (iii) the notice must specify a date on which it is proposed Exchange will occur (**proposed Exchange Date**) being:
 - (1) in the case of a Change of Control Event under clause 4.7(a)(i), no later than the Business Day prior to the then announced closing date of the relevant takeover bid;
 - (2) in the case of a Change of Control Event under clause 4.7(a)(ii)(A), a date no later than the record date for participation in the relevant scheme of arrangement; or

(3) in the case of a Change of Control Event under clause 4.7(a)(ii)(B), a date no later than 25 Business Days following the date the notice is given, or the record date for participation in the relevant scheme of arrangement, whichever is earlier; and

- (iv) the notice must specify the details of the Exchange process including any details to take into account the effect on marketable parcels and whole numbers of Ordinary Shares; and
- (v) on the proposed Exchange Date, all PERLS XII will Exchange in accordance with clause 7.

(c) The Second Mandatory Exchange Condition and Third Mandatory Exchange Condition apply if a Change of Control Event occurs as though the proposed Exchange Date were a Mandatory Exchange Date for the purposes of clause 4 (except that in the case of a Change of Control Event, the Second Mandatory Exchange Condition will apply as if it referred to 20.20% of the Issue Date VWAP).

(d) If either the Second Mandatory Exchange Condition or Third Mandatory Exchange Condition is not satisfied on the proposed Exchange Date:

- (i) PERLS XII must Exchange on the next Distribution Payment Date on which the Second Mandatory Exchange Condition and Third Mandatory Exchange Condition are satisfied; and
- (ii) CBA will notify Holders as soon as practicable after the proposed Exchange Date that Exchange did not occur.

4.8 No Exchange at the option of the Holders

Holders do not have a right to request Exchange of their PERLS XII at any time.

5 Early Redemption

5.1 Early Redemption at the option of CBA on the Call Date

CBA may at its option Redeem all or some PERLS XII on the Call Date for their Face Value.

However, CBA may only Redeem under this clause if CBA has given notice of its election to do so at least 20 Business Days (and no more than 60 Business Days) before the Call Date to ASX and the Holders.

If only some (but not all) PERLS XII are to be Redeemed under this clause, those PERLS XII to be Redeemed will be specified in the notice and selected:

- (a) in a manner that is, in the opinion of CBA, fair and reasonable; and
- (b) in compliance with any applicable law, directive or requirement of ASX.

5.2 Early Redemption for inability to frank Distributions

If there is a material risk that as a result of any change in, or amendment to, the laws of Australia, or their application or official or judicial interpretation or administration (including any announcement of a prospective change or amendment which has been or will be introduced), which change or amendment was not expected by CBA as at the Issue Date and has or is expected to become effective on or after the Issue Date, any Distribution would not be a frankable distribution within the meaning of Division 202 of the Tax Act, CBA may Redeem all (but not some) PERLS XII for their Face Value.

However, CBA may only Redeem under this clause if:

- (a) CBA has given notice of its election to do so at least 20 Business Days (and no more than 60 Business Days) before the proposed Redemption Date to ASX and the Holders;
- (b) the proposed Redemption Date is a Distribution Payment Date; and
- (c) the notice of Redemption is not given earlier than 60 Business Days before the Distribution Payment Date occurring immediately before the earliest date on which a Distribution would not be a frankable Distribution.

5.3 Early Redemption for other taxation reasons

If CBA receives an opinion from reputable legal counsel or other tax adviser in Australia, experienced in such matters, to the effect that there is a material risk that as a result of a change in, or amendment to, the laws of Australia, or their application or official or judicial interpretation or administration (including any announcement of a prospective change or amendment which has been or will be introduced), which change or amendment was not expected by CBA at the Issue Date and becomes or is expected to become effective on or after the Issue Date:

- (a) CBA would be required to pay an increased amount under clause 9.6; or
- (b) CBA would be exposed to a more than de minimis adverse tax consequence in relation to PERLS XII other than a tax consequence that CBA expected as at the Issue Date,

CBA may Redeem all (but not some) PERLS XII for their Face Value.

However, CBA may only Redeem under this clause if:

- (c) CBA has given notice of its election to do so at least 20 Business Days (and no more than 60 Business Days) before the proposed Redemption Date to ASX and the Holders;
- (d) the proposed Redemption Date is a Distribution Payment Date; and
- (e) the notice of Redemption is not given earlier than 60 Business Days before the Distribution Payment Date occurring immediately before the earliest date on which CBA would be subject to the adverse tax consequence.

5.4 Early redemption for regulatory reasons

If, at any time after the Issue Date, CBA determines that as a result of a change in, or amendment to, the laws of Australia or APRA's prudential standards or guidelines, or in their application or official or judicial interpretation or administration (including any announcement of a prospective change or amendment which has been or will be introduced), all, some or a proportion of all or some PERLS XII are not or will not be treated as Tier 1 Capital of the CBA Group under APRA's prudential standards (as amended from time to time), other than as a result of a change of treatment expected by CBA as at the Issue Date, CBA may Redeem all (but not some) PERLS XII for their Face Value.

However, CBA may only Redeem under this clause if:

- (a) CBA has given notice of its election to do so at least 20 Business Days (and no more than 60 Business Days) before the proposed Redemption Date to ASX and the Holders;
- (b) the proposed Redemption Date is a Distribution Payment Date; and
- (c) the notice of Redemption is not given earlier than 60 Business Days before the Distribution Payment Date occurring immediately before the earliest date on which all, some or a proportion of all or some PERLS XII will cease to be treated as Tier 1 Capital.

5.5 APRA approval to Redeem

CBA may only Redeem under this clause 5 if:

- (a) either:
 - (i) before or concurrently with Redemption, CBA replaces PERLS XII with a capital instrument which is of the same or better quality (for the purposes of APRA's prudential standards as they are applied to the CBA Group at the relevant time) than PERLS XII and the replacement of PERLS XII is done under conditions that are sustainable for the income capacity of CBA; or
 - (ii) CBA obtains confirmation from APRA that APRA is satisfied, having regard to the capital position of the CBA Level 1 Group and CBA Level 2 Group, that CBA does not have to replace PERLS XII; and
- (b) APRA has given its prior written approval to the Redemption. Approval is at the discretion of APRA and may or may not be given.

5.6 Final Distribution

For the avoidance of doubt, Redemption may occur even if CBA, in its absolute discretion, does not make the Distribution for the final Distribution Period.

5.7 No Redemption at the option of the Holders

Holders do not have a right to request Redemption of their PERLS XII at any time.

5.8 Effect of notice of Redemption

Any notice of Redemption given under this clause 5 is irrevocable and CBA must (subject to clauses 1.5, 4.5(d) and 9.3) Redeem PERLS XII on the Redemption Date specified in that notice.

6 Resale on the Call Date

- (a) CBA may elect that Resale occur in relation to all or some PERLS XII by giving a Resale Notice at least 20 Business Days (and no more than 60 Business Days) before the Call Date to ASX and the Holders. If only some (but not all) PERLS XII are to be Resold under this clause, the number of PERLS XII to be Resold will be specified in the notice and selected:
- (i) in a manner that is, in the opinion of CBA, fair and reasonable; and
 - (ii) in compliance with any applicable law, directive or requirement of ASX.
- (b) If CBA issues a Resale Notice:
- (i) each Holder is taken irrevocably to offer to sell the relevant number of their PERLS XII to the Purchaser on the Call Date (**Resale Date**) for a cash amount per PERLS XII equal to the Face Value (and to have appointed CBA as its agent and attorney to do and execute all things and documents which CBA considers may be necessary or desirable in connection with that offer and any resulting sale);
 - (ii) subject to payment by the Purchaser of the Face Value to Holders, all right, title and interest in the relevant number of PERLS XII will be transferred from the Holders to the Purchaser on the Resale Date; and
 - (iii) if the Purchaser does not pay the Face Value to the relevant Holders on the Resale Date, the relevant number of PERLS XII will not be transferred to the Purchaser and a Holder has no claim on CBA as a result of that non-payment.
- (c) Clause 9 will apply to payments by the Purchaser as if the Purchaser was CBA. If any payment to a particular Holder is not made or treated as made on the Resale Date because of any error by or on behalf of the Purchaser, the relevant PERLS XII of that Holder will not be transferred until payment is made but the transfer of all other relevant PERLS will not be affected by the failure.

7 General provisions applicable to Exchange

7.1 Exchange

On the Exchange Date, subject to clauses 4.6 and 7.10, the following will apply:

- (a) CBA will allot and issue the Exchange Number of Ordinary Shares for each PERLS XII held by the Holder. The **Exchange Number** is calculated according to the following formula, and subject always to the Exchange Number being no greater than the Maximum Exchange Number:

$$\text{Exchange Number} = \frac{\text{Face Value}}{0.99 \times \text{VWAP}}$$

where:

VWAP (expressed in dollars and cents) means the VWAP during the VWAP Period.

Maximum Exchange Number means a number calculated according to the following formula:

$$\text{Maximum Exchange Number} = \frac{\text{Face Value}}{\text{Relevant Percentage} \times \text{Issue Date VWAP}}$$

where:

Relevant Percentage means:

- (i) if Exchange is occurring on a Mandatory Exchange Date, 0.50; and
 - (ii) if Exchange is occurring at any other time, 0.20.
- (b) Each Holder's rights (including to payment of Distributions, other than the Distribution, if any, payable on an Exchange Date where the Exchange is not as a result of a Capital Trigger Event or a Non-Viability Trigger Event) in relation to each PERLS XII that is being Exchanged will be immediately and irrevocably terminated for an amount equal to the Face Value and CBA will apply the Face Value of each PERLS XII by way of payment for the subscription for the Ordinary Shares to be allotted and issued under clause 7.1 (a). Each Holder is taken to have irrevocably directed that any amount payable under this clause 7.1 is to be applied as provided for in this clause and no Holder has any right to payment in any other way.
- (c) If the total number of additional Ordinary Shares to be allotted and issued in respect of a Holder's aggregate holding of PERLS XII includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded.

7.2 Adjustments to VWAP generally

For the purposes of calculating VWAP under clause 7.1:

- (a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as *cum* dividend or *cum* any other distribution or entitlement and PERLS XII will be Exchanged for Ordinary Shares after that date and those Ordinary Shares will no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted *cum* dividend or *cum* any other distribution or entitlement will be reduced by an amount (**Cum Value**) equal to:
- (i) in the case of a dividend or other distribution, the amount of that dividend or other distribution;
 - (ii) in the case of any other entitlement that is not a dividend or other distribution under clause 7.2(a)(i) 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 VWAP Period on the Business Days on which those entitlements were traded (excluding trades of the kind that would be excluded in determining VWAP under the definition of that term); or

- (iii) in the case of any other entitlement which is not traded on ASX during the VWAP Period, the value of the entitlement as reasonably determined by the Board; and
- (b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted as ex dividend or ex any other distribution or entitlement, and PERLS XII will be Exchanged for Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement will be increased by the Cum Value.

7.3 Adjustments to VWAP for capital reconstruction

- (a) Where during the relevant VWAP Period there is a change to the number of Ordinary Shares on issue because the Ordinary Shares are reconstructed, consolidated, divided or reclassified (not involving any payment or other compensation to or by the holders of Ordinary Shares) (**Reclassification**) into a lesser or greater number, the daily VWAP for each day in the VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reclassification basis will be adjusted by multiplying the applicable VWAP by the following formula:

A

B

Where:

A means the aggregate number of Ordinary Shares immediately before the Reclassification; and

B means the aggregate number of Ordinary Shares immediately after the Reclassification.

- (b) Any adjustment made by CBA in accordance with clause 7.3(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly.
- (c) For the avoidance of doubt, nothing in this clause allows a cash payment or other distribution to be made to or by a Holder as part of a Reclassification or as a result of a Reclassification.

7.4 Adjustments to Issue Date VWAP generally

For the purposes of determining the Issue Date VWAP under clause 7.1, adjustments will be made in accordance with clauses 7.2 and 7.3 during the VWAP Period for the Issue Date VWAP. On and from the Issue Date, adjustments to the Issue Date VWAP:

- (a) may be made by CBA in accordance with clauses 7.5 to 7.7 (inclusive);
- (b) if so made, will correspondingly affect the application of the Mandatory Exchange Conditions and cause an adjustment to the Maximum Exchange Number; and
- (c) if so made, will be effective and binding on Holders under these Terms and these Terms will be construed accordingly.

7.5 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to clauses 7.5(b) and 7.5(c), if CBA makes a pro-rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

$$V = Vo \times RD / (RD + RN)$$

Where:

V means the Issue Date VWAP applying immediately after the application of this formula;

Vo means the Issue Date VWAP applying immediately prior to the application of this formula;

RD means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the bonus issue; and

RN means the number of Ordinary Shares issued pursuant to the bonus issue.

- (b) Clause 7.5(a) does not apply to 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.

- (c) For the purposes of this clause 7.5, an issue will be regarded as a bonus issue notwithstanding that CBA does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia (or to whom an offer is otherwise subject to foreign securities laws), provided that in so doing CBA is not in contravention of ASX Listing Rules.

7.6 Adjustments to Issue Date VWAP for capital reconstruction

If at any time after the Issue Date there is a change to the number of Ordinary Shares on issue because of a Reclassification into a lesser or greater number, the Issue Date VWAP will be adjusted by multiplying the Issue Date VWAP applicable on the Business Day immediately before the date of any such Reclassification by the following formula:

A

B

where:

A means the aggregate number of Ordinary Shares on issue immediately before the Reclassification; and

B means the aggregate number of Ordinary Shares on issue immediately after the Reclassification.

7.7 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of clauses 7.5 and 7.6, no adjustment will be made to the Issue Date VWAP where any such adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect.

7.8 Announcement of adjustments to Issue Date VWAP

CBA will notify any adjustment to the Issue Date VWAP under this clause 7 to ASX and the Holders within 10 Business Days of CBA determining the adjustment (or such shorter period as is required by ASX Listing Rules) and the adjustment will be final and binding.

7.9 Status and listing of Ordinary Shares

- (a) Ordinary Shares issued or arising from Exchange will rank equally with all other fully paid Ordinary Shares provided that the rights attaching to the Ordinary Shares issued or arising from Exchange do not take effect until 5.00pm (Sydney time) on the Exchange Date (or such other time required by APRA).
- (b) CBA will use all reasonable endeavours to list the Ordinary Shares issued on Exchange of PERLS XII on ASX.
- (c) Holders acknowledge that any ASX trades in PERLS XII that have not settled on the Exchange Date will continue to settle in accordance with the normal ASX settlement process, although the seller will be treated as having delivered and the buyer will be treated as having acquired, the number of Ordinary Shares into which PERLS XII have been Exchanged.

7.10 Exchange where the Holder does not wish to receive Ordinary Shares or is an Ineligible Holder

If PERLS XII (or percentage of the Face Value of each PERLS XII) of a Holder are required to be Exchanged and:

- (a) the Holder has notified CBA that it does not wish to receive Ordinary Shares as a result of Exchange, which notice may be given at any time on or after the Issue Date and prior to the Exchange Date;
- (b) the Holder is an Ineligible Holder; or
- (c) CBA has not received (for any reason whether or not due to the fault of that Holder) any information required by it in accordance with the Terms so as to impede CBA issuing the Ordinary Shares to a Holder on the Exchange Date,

then, on the Exchange Date, the Holder's rights (including to payment of Distributions) in relation to each such PERLS XII being Exchanged are immediately and irrevocably terminated and CBA will issue the Exchange Number of Ordinary Shares to a Nominee for no additional consideration to hold on trust for sale for the benefit of the relevant Holder (unless, because the Holder is an Ineligible Holder, the Nominee is deemed to be an Ineligible Holder, in which case such issue shall occur as soon as practicable after the Nominee ceases to be an Ineligible Holder). At the first opportunity to sell the Ordinary Shares, the Nominee will arrange for their sale and pay the proceeds less selling costs to the relevant Holder subject to and in accordance with the provisions of the Deed Poll.

If Exchange is occurring because of the occurrence of a Capital Trigger Event or Non-Viability Trigger Event and the Exchange fails to take effect and CBA has not otherwise issued Ordinary Shares to the Nominee within five Business Days after the date of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event, then Holders' rights will be immediately and irrevocably terminated under clause 4.6.

7.11 Final Distribution

For the avoidance of doubt, Exchange may occur even if CBA, in its absolute discretion, does not make the Distribution for the final Distribution Period.

7.12 No Exchange after winding up commences

If before the Exchange Date an order is made by a court, or an effective resolution is passed, for the winding up of CBA in Australia, then Exchange will not occur and clause 1.5 will apply, except where Exchange is required for a Capital Trigger Event or Non-Viability Trigger Event (in which case such Exchange shall occur (subject to clause 4.6) in accordance with clauses 4.1 or 4.2 (as applicable) and clause 4.5).

7.13 Exchange of a percentage of Face Value

If under these Terms it is necessary to Exchange a percentage of the Face Value, this clause 7 will apply to the Exchange as if references to the Face Value were references to the relevant percentage of the Face Value to be Exchanged.

8 Title and transfer of PERLS XII

8.1 Effect of entries in Register

Each entry in the Register of a person as a Holder constitutes:

- (a) conclusive evidence of that person's:
 - (i) absolute ownership of that PERLS XII;
 - (ii) entitlement to the other benefits given to Holders under these Terms and the Deed Poll in respect of PERLS XII; and
- (b) an undertaking by CBA to pay Distributions and any other amount in accordance with these Terms,

subject to correction of the Register for fraud or error.

8.2 Non-recognition of interests

Except as required by law, CBA and the Registry must treat the person whose name is entered in the Register as a Holder as the absolute owner of that PERLS XII. This clause applies despite any notice of ownership, trust or interest in that PERLS XII. No recognition of any trust, encumbrance or interest shall be entered on the Register.

8.3 Joint holders

Where two or more persons are entered in the Register as joint Holders, they are taken to hold that PERLS XII as joint tenants with rights of survivorship and subject to the terms of the Deed Poll but the Registry is not bound to register more than three persons as joint Holders of any PERLS XII.

8.4 Transfers

- (a) A Holder may transfer PERLS XII:
- (i) while PERLS XII are registered with CHESS, in accordance with the rules and regulations of CHESS; or
 - (ii) at any other time:
 - (A) by a proper transfer under any other applicable computerised or electronic system recognised by the Corporations Act; or
 - (B) by any proper or sufficient instrument of transfer of marketable securities under applicable law, provided such instrument is delivered to the Registry with any evidence the Registry reasonably requires to prove title to or the right to transfer PERLS XII.
- (b) Title to PERLS XII passes when details of the transfer are entered in the Register.
- (c) PERLS XII may be transferred in whole but not in part.
- (d) CBA must comply with all Applicable Regulations and any other relevant obligations imposed on it in relation to the transfer of PERLS XII.
- (e) CBA must not charge any fee on the transfer of PERLS XII.
- (f) The Holder is responsible for any stamp duty or other similar taxes which are payable in any jurisdiction in connection with a transfer, assignment or other dealing with PERLS XII.
- (g) Upon registration and entry of the transferee in the Register, the transferor ceases to be entitled to future benefits under these Terms and the Deed Poll in respect of the transferred PERLS XII.
- (h) Subject to Applicable Regulations, CBA may determine that transfers of some or all PERLS XII will not be registered during any period reasonably specified by it prior to the Exchange Date, Redemption Date or Resale Date of such PERLS XII.

8.5 Refusal to register

CBA may only refuse to register a transfer of PERLS XII if permitted by, or if such registration would contravene or is forbidden by, Applicable Regulations or the Terms.

If CBA refuses to register a transfer, CBA must give the lodging party notice of the refusal and the reasons for it within five Business Days after the date on which the transfer was delivered to the Registry.

8.6 Transmission

A person becoming entitled to PERLS XII as a consequence of the death, bankruptcy, liquidation or a winding-up of a Holder or of a vesting order by a court or other body with power to make the order, or a person administering the estate of a Holder, may, upon providing evidence as to that entitlement or status, and if CBA so requires an indemnity in relation to the correctness of such evidence, as CBA considers sufficient, become registered as the Holder of those PERLS XII.

9 Payments

9.1 Payments to registered Holder

- (a) Payment of Distributions will be made to the person registered at 7.00pm on the Record Date as the Holder.
- (b) Payment of any other amount in accordance with these Terms will be made to the person registered as the Holder on the relevant date for payment.
- (c) A payment to any one of joint Holders will discharge CBA's liability in respect of the payment.

9.2 Payments subject to law

All payments are subject to applicable law.

9.3 Payments on Business Days

If any payment:

- (a) is due on a day which is not a Business Day, then the due date for payment will be the next Business Day; or
- (b) is to be made to an account on a Business Day on which banks are not open for general banking business in the place in which the account is located, then the due date for payment will be the next day on which banks are open for general banking business in that place.

No additional amount is payable in respect of any delay in payment. Nothing in this clause 9.3 applies to any payment referred to in clause 7.1(b).

9.4 Payments to accounts

Monies payable by CBA to a Holder may be paid by crediting an Australian dollar bank account maintained in Australia with a financial institution and nominated in writing by the Holder by close of business on the relevant Record Date or in any other manner CBA decides.

9.5 Unsuccessful attempts to pay

- (a) If the Holder has not notified the Registry of a bank account for the purposes of payment under clause 9.4 or the transfer of any amount does not complete for any reason (other than an error made by or on behalf of CBA), CBA will be treated as having paid the amount on the date on which it would otherwise have made the payment.
- (b) CBA will send a notice to the registered address of the Holder advising of the unsuccessful payment and the amount of the unsuccessful payment will be held on deposit in a non-interest bearing bank account maintained by CBA or the Registry until the Holder nominates an Australian dollar bank account maintained in Australia for crediting with the payment (or nominates a new bank account as the case may be) or the claim becomes void under clause 12.1.
- (c) No additional amount is payable in respect of any delay in payment.
- (d) For the avoidance of doubt, nothing in this clause 9.5 obliges CBA to make a payment it has not otherwise determined to make under clause 2.

9.6 Withholdings and Deductions

- (a) All payments in respect of PERLS XII must be made without any withholding or deduction in respect of taxes, unless the withholding or deduction is required by law or permitted by this clause 9.6. CBA 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 Holder, deliver to that Holder the relevant receipt issued by the revenue authority without delay after it is received by CBA.
- (b) CBA, in its absolute discretion, may withhold or deduct payments to a Holder (including, if applicable, any other person who beneficially derives Distributions under PERLS XII) where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Holder or a beneficial owner of PERLS XII may be subject to FATCA, and may deal with such payment and the Holder's PERLS XII in accordance with FATCA. If any withholding or deduction arises under or in connection with FATCA, CBA will not be required to pay any further amounts on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder or a beneficial owner of PERLS XII for or in respect of any such withholding or deduction.
- (c) Each Holder (including, if applicable, any other person who beneficially derives Distributions under PERLS XII) will, within 10 Business Days of request by CBA, supply to CBA such forms, documentation and other information relating to its status under FATCA as CBA reasonably requests for the purposes of the CBA Group's compliance with FATCA.

10 Tax File Number withholdings

- (a) CBA will withhold an amount from payments of Distributions on PERLS XII at the highest marginal tax rate plus the highest Medicare levy if a Holder has not supplied an appropriate tax file number, Australian business number or exemption details.
- (b) If a Holder supplies exemption details and CBA subsequently determines that the relevant exemption was not available, CBA may recover the amount that should have been deducted from the relevant Holder and may deduct that amount from any subsequent payment due to that Holder in respect of PERLS XII.

11 Substitution of CBA

11.1 Substitution

CBA may, in connection with a NOHC Event, without the consent of Holders and provided that the Substitution Conditions are satisfied, by giving notice to ASX and the Holders:

- (a) substitute for itself a NOHC as the debtor in respect of PERLS XII and as the issuer of Ordinary Shares on Exchange (**Full Successor**); or

- (b) substitute for itself a NOHC as the issuer of Ordinary Shares on Exchange (**Partial Successor**),

and a reference to the **Successor** shall be a reference to the Full Successor or the Partial Successor, as applicable. The notice shall specify the date on which the substitution is to take effect (**Date of Substitution**).

11.2 Substitution Conditions

The **Substitution Conditions** are:

- (a) in the case of the Full Successor:

- (i) the Full Successor or another entity (which is a parent entity) subscribes for Ordinary Shares or other capital instruments acceptable to APRA in such amount as may be necessary, or takes other steps acceptable to APRA, to ensure that the capital position of the CBA Level 1 Group and CBA Level 2 Group will not be adversely affected;
- (ii) the Full Successor will expressly assume CBA's obligations under these Terms and the Deed Poll by entering into a deed poll for the benefit of Holders (**Successor Deed Poll**) under which it agrees (among other things):
 - (A) to comply with the restrictions in clause 2.7 of these Terms (with all necessary modifications); and
 - (B) to deliver fully paid ordinary shares in its capital under all circumstances when CBA would otherwise have been required to deliver Ordinary Shares, subject to the same terms and conditions as set out in these Terms (with all necessary modifications);

- (b) in the case of the Partial Successor:

- (i) the Partial Successor agrees with effect on and from the Date of Substitution, by entering into a Successor Deed Poll, to deliver fully paid ordinary shares in its capital under all circumstances when CBA would otherwise have been required to deliver Ordinary Shares, subject to the same terms and conditions as set out in these Terms (with all necessary modifications); and
- (ii) the Partial Successor agrees that in all circumstances where the Partial Successor delivers fully paid ordinary shares in its capital under the Successor Deed Poll in clause 11.2(b)(i), the Partial Successor or another entity (which is a parent entity) will subscribe for Ordinary Shares in such amount as may be necessary, or take other steps acceptable to APRA, to ensure that the capital position of the CBA Level 1 Group and CBA Level 2 Group is equivalent to the position if the Successor Deed Poll had not been entered into and CBA was required to issue the Ordinary Shares; and

- (c) in the case of either the Full Successor or the Partial Successor (as applicable):
- (i) the Successor's ordinary shares are or are to be quoted on ASX, and the Successor agrees to use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of ordinary shares issued under these Terms on the securities exchanges on which the Successor's ordinary shares are quoted at the time of delivery;
 - (ii) the Successor and CBA have obtained APRA approval and all other necessary authorisations, regulatory and governmental approvals and consents for such substitution and for the performance by the Successor of its obligations under PERLS XII and the documents effecting substitution;
 - (iii) if the Successor does not have a place of business in New South Wales, the Successor has appointed a process agent in New South Wales to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with PERLS XII;
 - (iv) the Successor has, in the reasonable opinion of CBA, the financial capacity to satisfy its obligations under the Successor Deed Poll;
 - (v) CBA has used all reasonable endeavours to give an irrevocable notice to the Holders as soon as practicable before a NOHC Event occurs specifying the amendments to PERLS XII which will be made under these Terms in connection with the substitution of a NOHC as the issuer of ordinary shares on Exchange; and
 - (vi) CBA may, by an instrument in writing and without the authority, assent or approval of Holders, amend these Terms if such amendment is necessary or expedient for the purposes of complying with the provisions of Chapter 2L of the Corporations Act.

11.3 Effect of Substitution of Full Successor

If the relevant requirements set out in clauses 11.1 and 11.2 relating to a substitution under clause 11.1(a) have been completed, on and from the Date of Substitution:

- (a) the Full Successor will assume all of the obligations of, succeed to, and be substituted for, and may exercise every right and power of, CBA under these Terms (as may be amended from time to time) with the same effect as if the Successor had been named as CBA in these Terms and the Deed Poll;
- (b) CBA (or any corporation which has previously assumed the obligations of CBA) will be released from its liability under the Terms and the Deed Poll;
- (c) if CBA gives a notice to Holders under clause 11.2(c)(v), the amended terms will have effect on and from the date specified in the notice; and
- (d) references to CBA in these Terms and the Deed Poll will be taken to be references to the Full Successor.

11.4 Effect of Substitution of Partial Successor

If the relevant requirements set out in clauses 11.1 and 11.2 relating to a substitution under clause 11.1(b) have been completed, on and from the Date of Substitution:

- (a) CBA (or any corporation which has previously assumed the obligations of CBA) will be released from any obligation it would otherwise have under these Terms to issue Ordinary Shares to Holders upon Exchange; and
- (b) if CBA gives a notice to Holders under clause 11.2(c)(v), the amended terms will have effect on and from the date specified in the notice.

12 General

12.1 Time limit for claims

A claim against CBA for a payment under PERLS XII is void unless made within five years from the date on which payment became due.

12.2 Voting

The Deed Poll contains provisions for convening meetings of Holders to consider any matter affecting their interests including certain variations of these Terms which require the Holders' consent. Resolutions passed in accordance with such provisions will be binding on all Holders.

12.3 Amendments without consent

At any time, but subject to compliance with the Corporations Act and all other applicable laws, CBA may by deed poll, without the consent of the Holders, amend these Terms or the Deed Poll, from the date specified by CBA, if CBA is of the opinion that such alteration is:

- (a) of a formal, technical or minor nature;
- (b) made to cure any ambiguity, correct any manifest error or correct or supplement any defective provision of the Terms or amend any provision of the Deed Poll;
- (c) to amend the Terms to adopt an Alternative Market Rate as the new Market Rate following the occurrence of a Market Rate Disruption Event, and to make any consequential amendments, subject to APRA's prior written approval as required under clause 2.2(b) and CBA acting in good faith and in a commercially reasonable manner;
- (d) necessary or expedient for the purpose of
 - (i) enabling PERLS XII to be listed for quotation, or to retain quotation, on any securities exchange or to be offered for subscription or for sale under the laws for the time being in force in any place;
 - (ii) complying with the provisions of any statute, the requirements of any statutory authority, ASX Listing Rules or the listing or quotation requirements of any securities exchange on which CBA may propose to seek a listing or quotation of PERLS XII; or
 - (iii) facilitating a substitution in accordance with clause 11.1 (including satisfying any requirement of APRA in connection with such a substitution);

- (e) made to amend any date or time period stated, required or permitted in connection with any Exchange, Resale or Redemption (including, without limitation, when the proceeds of Resale or Redemption are to be reinvested in a new security to be issued by CBA or a Related Body Corporate); or
- (f) not materially prejudicial to the interests of Holders as a whole.

The Terms will be amended from the date specified by CBA.

12.4 Amendments with consent

Without limiting clause 12.3, CBA may by deed poll amend these Terms or the Deed Poll if such alteration is approved by a Special Resolution.

In this case, the Terms will be amended from the date specified in the Special Resolution or otherwise notified to the Holders (provided such date is permitted by the terms of the Special Resolution).

12.5 Meaning of amend

In clauses 12.3 and 12.4, **amend** includes modify, cancel, alter or add to and **amendment** has a corresponding meaning.

12.6 APRA approval of amendments

Prior to any amendment under clauses 12.3 and 12.4 being effective, where required CBA must obtain APRA's prior written approval (APRA approval is required where the proposed amendment may affect the capital treatment of PERLS XII under APRA's prudential standards at the relevant time) and any consent or approval required under any applicable law, regulation or ASX Listing Rule.

12.7 Notices

(a) To Holders

Subject to clauses 4.1(e) and 4.2(e), unless otherwise specified, all notices and other communications to Holders must be in writing and either (i) sent by prepaid post (airmail if appropriate) to or left at the address of the Holders (as shown in the Register at the close of business on the day which is three Business Days before the date of the notice or communication), (ii) (if available) issued to Holders through CHESS in accordance with any applicable rules and regulations of CHESS, or (iii) announced to ASX. An accidental or inadvertent failure to give notice to a particular Holder will not invalidate a notice otherwise properly given to Holders.

(b) To CBA and Registry

Subject to clauses 4.1(e) and 4.2(e), all notices and other communications to all or any of CBA and the Registry must be in writing and sent by prepaid post (airmail if appropriate) to or left at the address of CBA and the Registry, as applicable.

(c) When effective

Subject to clauses 4.1(e) and 4.2(e), notices and other communications take effect from the time they are taken to be received unless a later time is specified in them.

(d) Receipt

- (i) If sent by post, notices or other communications are taken to be received three Business Days after posting (or five Business Days after posting if sent to or from a place outside Australia).
- (ii) If left at the address, notices or other communications are taken to be received when given unless received after 5.00 pm in the place of receipt or on a non-Business Day, in which case they are taken to be received at 9.00 am on the next Business Day.
- (iii) Notices given to Holders by being announced to ASX are taken to be received on the date of announcement.

12.8 Power of attorney

- (a) Each Holder appoints each of CBA, its directors, officers and authorised delegates of the Board, and any External Administrator of CBA (each an **Attorney**) severally to be the attorney of the Holder with power in the name and on behalf of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under these Terms, including, but not limited to, any transfers of PERLS, making any entry in the Register or the register of any Ordinary Shares or exercising any voting power in relation to any consent or approval required for Exchange, Redemption or Resale.
- (b) The power of attorney given in this clause 12.8 is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under these Terms and is irrevocable.

12.9 Ability to trade

CBA or any member of the CBA Group may, to the extent permitted by applicable laws and regulations and with APRA's prior written approval (where required), at any time buy or sell PERLS XII in the open market, by tender to all or some of the Holders, by private agreement or in any other manner, at any price.

12.10 Governing law

These Terms are governed by and must be governed in accordance with the law in force in New South Wales, Australia.

12.11 Jurisdiction

CBA submits, and each Holder is taken to have irrevocably and unconditionally submitted, to the non-exclusive jurisdiction of the courts of New South Wales and the courts competent to determine appeals from those courts, with respect to any proceedings which may be brought at any time relating to these Terms.

12.12 Deed Poll

CBA's obligations in respect of PERLS XII are constituted by and subject to the Deed Poll. Each Holder is taken to have notice of, and be bound by, the provisions of the Deed Poll.

12.13 Waiver of immunity

CBA irrevocably and unconditionally waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 12.11.

12.14 Consent acknowledgement

Each Holder, by subscribing for, and purchasing or otherwise acquiring a PERLS XII upon Exchange, consents to becoming a member of CBA and agrees to be bound by the constitution of CBA.

13 Interpretation and definitions

13.1 Interpretation

In these Terms, except where the contrary intention appears:

- (a) a reference to:
 - (i) an agreement or instrument includes any variation, supplement, replacement or novation of that agreement or instrument;
 - (ii) a person includes a reference to the person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;
 - (iii) any thing is a reference to the whole and each part of it;
 - (iv) one gender includes every other gender;
 - (v) a document includes all schedules or annexes to it;
 - (vi) a clause or paragraph is to a clause or paragraph of these Terms;
 - (vii) "Australian dollars", "A\$" or "Australian cent" is a reference to the lawful currency of Australia; and
 - (viii) a statute, ordinance, code, rule, directive or law (however described) includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (b) the singular includes the plural and vice versa;
- (c) the word "person" includes a firm, body corporate, an unincorporated association, or governmental or local authority or agency or other entity;
- (d) the word "law" includes common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) any reference to time is to Sydney time;
- (f) headings are inserted for convenience and do not affect the interpretation of these Terms;
- (g) another grammatical form of a defined word or expression has a corresponding meaning;

(h) other than in relation to a Capital Trigger Event or a Non-Viability Trigger Event (including an Exchange of the PERLS XII on the occurrence of a Capital Trigger Event or a Non-Viability Trigger Event and a termination of rights under clause 4.6) and other than as otherwise expressly specified in these Terms, if any act or event under these Terms must be done or must occur on a stipulated day that is not a Business Day then that act or event will be done or will occur on the next Business Day;

- (i) the meaning of general words is not limited by specific examples introduced by "including", "for example" or similar expressions;
- (j) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (k) any provisions which refer to APRA requirements or any other prudential regulatory requirements will apply to CBA only if CBA is an entity, or the holding company of an entity, or is a direct or indirect subsidiary of an entity (including a NOHC) subject to regulation and supervision by APRA at the relevant time;
- (l) any provisions which require APRA's consent or approval (written or otherwise) will apply only if APRA requires that such consent or approval be given at the relevant time; and
- (m) any provisions in these Terms requiring prior APRA approval for a particular course of action to be taken by CBA do not imply that APRA has given its consent or approval to the particular action as of the Issue Date.

13.2 Definitions

In these Terms, except where the contrary intention appears:

ADI means an Authorised Deposit-taking Institution under the Banking Act;

Alternative Market Rate has the meaning given in clause 2.2;

Applicable Regulation means ASX Listing Rules, ASX Settlement Operating Rules, the rules and regulations of CHESS, the Corporations Act and any rules or regulations made under or pursuant to them;

APRA means the Australian Prudential Regulation Authority;

ASX means ASX Limited ABN 98 008 624 691 or the securities market operated by it, as the context requires;

ASX Listing Rules means the listing rules of ASX from time to time with any applicable modification or waiver granted by ASX;

ASX Settlement Operating Rules means the settlement operating rules of ASX from time to time with any applicable modification or waiver granted by ASX;

Banking Act means the Banking Act 1959 (Cth);

Board means either the board of directors of CBA or a committee appointed by the board of directors of CBA;

Bookbuild means the process conducted before the Offer opens where brokers and investors bid for PERLS XII and, on the basis of those bids, CBA sets the final Margin and announces it on ASX;

Business Day means a day which is (i) a business day within the meaning of ASX Listing Rules, and (ii) for the purposes of calculation or payment of a Distribution, a date on which banks are open for general business in Sydney;

Call Date means 20 April 2027

Capital Trigger Event has the meaning given in clause 4.1;

CBA means Commonwealth Bank of Australia ABN 48 123 123 124, including foreign branches of Commonwealth Bank of Australia;

CBA Group means CBA (or any NOHC that is the holding company of CBA) and its Subsidiaries;

CBA Level 1 Common Equity Tier 1 Capital Ratio means, in respect of the CBA Level 1 Group, the ratio of the Common Equity Tier 1 Capital of the CBA Level 1 Group to the risk weighted assets of the CBA Level 1 Group, calculated in accordance with APRA's prudential standards (as amended from time to time);

CBA Level 1 Group means:

- (a) CBA; or
- (b) the "extended licensed entity" which is comprised of CBA and each Subsidiary of CBA as specified in any approval granted by APRA in accordance with APRA's prudential standards (as amended from time to time);

CBA Level 2 Common Equity Tier 1 Capital Ratio means, in respect of the CBA Level 2 Group, the ratio of the Common Equity Tier 1 Capital of the CBA Level 2 Group to the risk weighted assets of the CBA Level 2 Group, calculated in accordance with APRA's prudential standards (as amended from time to time);

CBA Level 2 Group means CBA and each Subsidiary that is recognised by APRA as part of CBA's Level 2 group in accordance with APRA's prudential standards (as amended from time to time);

Change of Control Event has the meaning given in clause 4.7;

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited ABN 49 008 504 532;

Chi-X means Chi-X Australia Pty Ltd (ABN 47 129 584 667) or the securities market operated by it, as the context requires;

Common Equity Tier 1 Capital has, in respect of each of the CBA Level 1 Group and the CBA Level 2 Group, the meaning determined for that term or its equivalent by APRA;

Corporations Act means the Corporations Act 2001 (Cth);

Deed Poll means the deed poll entitled "PERLS XII Deed Poll" executed by CBA and dated on or around the date of the Bookbuild;

Delisted means, in relation to an Exchange Date, that Ordinary Shares are not listed or admitted to trading on a securities exchange on that date;

Distribution means interest payable on PERLS XII under these Terms;

Distribution Payment Date means, in respect of each PERLS XII, 15 March, 15 June, 15 September and 15 December each year until that PERLS XII has been Exchanged or Redeemed, and also the Exchange Date or Redemption Date. If any of these Distribution Payment Dates is not a Business Day, then the payment will be made in accordance with clause 9.3. The first Distribution Payment Date is 15 March 2020;

Distribution Period means each period commencing on (and including) a Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date, whether or not a Distribution is, or is able to be, paid on that date. However:

- (a) the first Distribution Period commences on (and includes) the Issue Date; and
- (b) the final Distribution Period ends on (but excludes) the Exchange Date or Redemption Date, as applicable;

Distribution Rate means the interest rate (expressed as a percentage per annum) calculated or determined in accordance with clause 2.2;

Equal Ranking Securities means each of:

- (a) PERLS VII;
- (b) PERLS VIII;
- (c) PERLS IX;
- (d) PERLS X;
- (e) PERLS XI;
- (f) PERLS XII; and
- (g) any preference shares in the capital of CBA or any other securities which rank or are expressed to rank equally with PERLS XII in a winding up of CBA, present and future, excluding any Junior Ranking Securities;

Exchange means, the exchange of all, some or a proportion of each PERLS XII for Ordinary Shares under these Terms and **Exchanged** has a corresponding meaning;

Exchange Date means the applicable:

- (a) Mandatory Exchange Date;
- (b) date for Exchange specified in accordance with clause 4.1(e)(iii);
- (c) date for Exchange specified in accordance with clause 4.2(e)(iii);
- (d) date for Exchange specified in accordance with clause 4.7(b)(iii) or otherwise determined under clause 4.7(d);

Exchange Number has the meaning given in clause 7.1;

Face Value means A\$100 per PERLS XII (**Initial Face Value**) reduced (if applicable) by the amount of Face Value per PERLS XII which has previously been Exchanged or the amount of Face Value per PERLS XII for which Holders' rights have been irrevocably terminated;

FATCA means Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (or any consolidation, amendment, re-enactment or replacement of those sections and including any current or future regulations or official interpretations issued, agreements entered into or non-US laws enacted in relation to those sections) and includes the Double Tax Agreement (United States of America – FATCA) Order 2014;

Foreign Holder means a Holder:

- (a) whose address in the Register is a place outside Australia;
- (b) who CBA otherwise believes may not be a resident of Australia; or
- (c) who CBA otherwise believes are subject to the securities laws of another country and CBA is not satisfied that the laws permit the offer, holding or acquisition of Ordinary Shares to the Holder (but CBA will not be bound to enquire into those laws), either unconditionally or after compliance with conditions which CBA, in its absolute discretion, regards as acceptable and not unduly onerous;

Holder means a person whose name is entered in the Register as a holder of PERLS XII;

Ineligible Holder means a Holder who is prohibited or restricted by any applicable law or regulation in force in Australia (including but not limited to Chapter 6 of the Corporations Act, the Foreign Acquisitions and Takeovers Act 1975 (Cth), the Financial Sector (Shareholdings) Act 1998 (Cth) and Part IV of the Competition and Consumer Act 2010) from being offered, holding or acquiring Ordinary Shares (provided that if the relevant prohibition or restriction only applies to the Holder in respect of some of its PERLS XII, it shall only be treated as an Ineligible Holder in respect of those PERLS XII and not in respect of the balance of its PERLS XII), and includes a Foreign Holder. CBA will be entitled to treat a Holder as not being an Ineligible Holder unless the Holder has otherwise notified it after the Issue Date and prior to the Exchange Date;

Insolvent means insolvent under section 95A of the Corporations Act;

IRS means the United States Internal Revenue Service;

Issue Date means the date on which PERLS XII are issued, which is expected to be on or about 14 November 2019;

Issue Date VWAP means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding but not including the Issue Date, as adjusted in accordance with clauses 7.4 to 7.7;

Junior Ranking Securities means all Ordinary Shares, present and future;

Level 1, Level 2 and Level 3 means those terms as defined by APRA from time to time;

Mandatory Exchange Conditions means the conditions in clause 3.2;

Mandatory Exchange Date 20 April 2029 or such other date as determined under clause 3.1;

Margin has the meaning given in clause 2.2;

Market Rate has the meaning given in clause 2.2;

Market Rate Disruption Event has the meaning given in clause 2.2;

Maximum Exchange Number has the meaning given in clause 7.1;

Meeting Provisions means the provisions for meetings of Holders set out in schedule 2 of the Deed Poll;

NOHC means a "non-operating holding company" within the meaning of the Banking Act;

NOHC Event occurs when the Board initiates a restructure of the CBA Group and a NOHC becomes the ultimate holding company of CBA;

Nominee means one or more third parties appointed by CBA in its absolute discretion (which cannot be CBA, a member of the CBA Group or a Related Body Corporate of CBA) under a facility established for the sale of Ordinary Shares issued by CBA on Exchange on behalf of Holders in the circumstances set out in clause 7.10;

Non-Viability Trigger Event has the meaning given in clause 4.2;

Offer means the invitation by CBA in the Prospectus to subscribe for PERLS XII;

Ordinary Share means a fully paid ordinary share in the capital of CBA;

PERLS VII means CommBank PERLS VII Capital Notes issued by CBA in October 2014;

PERLS VIII means CommBank PERLS VIII Capital Notes issued by CBA in March 2016;

PERLS IX means CommBank PERLS IX Capital Notes issued by CBA in March 2017;

PERLS X means CommBank PERLS X Capital Notes issued by CBA in April 2018;

PERLS XI means CommBank PERLS XI Capital Notes issued by CBA in December 2018;

PERLS XII means CommBank PERLS XII Capital Notes issued by CBA under these Terms;

Prospectus means the prospectus relating to the offer of PERLS XII dated on or about 9 October 2019 as supplemented or replaced;

Purchaser means one or more third parties selected by CBA in its absolute discretion (which cannot be CBA, a member of the CBA Group or a Related Body Corporate of CBA);

Reclassification has the meaning given in clause 7.3;

Record Date means, for payment of Distributions:

- (a) the date that is eight calendar days prior to the relevant Distribution Payment Date; or
- (b) such other date determined by CBA in its absolute discretion and communicated to ASX,

or in either case such other date as may be required by, or agreed with, ASX;

Redemption means the redemption of all or some PERLS XII for their Face Value under these Terms and **Redeem** and **Redeemed** have corresponding meanings;

Redemption Date means, in respect of each PERLS XII, the date specified by CBA as the Redemption Date in accordance with clause 5;

Register means the register of Holders established and maintained under clause 5 of the Deed Poll and, where appropriate, the term Register includes:

- (a) a sub-register maintained by or for CBA in CHESS; and
- (b) any branch register;

Registry means Link Market Services Limited ABN 54 083 214 537 or any other person appointed by CBA to maintain the Register;

Related Body Corporate means a related body corporate as defined in the Corporations Act, or an entity over which CBA, or a future parent entity of CBA, exercises control or significant influence;

Relevant Security means a security forming part of the Tier 1 Capital of CBA on a Level 1 basis or Level 2 basis;

Resale means the sale of PERLS XII by Holders to the Purchaser in accordance with clause 6 and **Resell** and **Resold** have corresponding meanings;

Resale Date has the meaning given in clause 6(b)(i);

Resale Notice means a notice issued in accordance with clause 6;

Senior Ranking Obligations means all deposits and other liabilities, securities (including Tier 2 Capital securities) and other obligations of CBA, present and future, other than Equal Ranking Securities or Junior Ranking Securities;

Special Resolution means:

- (a) a resolution passed at a meeting of Holders duly called and held under the Meeting Provisions:
 - (i) by at least 75% of Holders voting on a show of hands (unless paragraph (b) below applies); or
 - (ii) if a poll is duly demanded, by at least 75% of the votes cast; or
- (b) a resolution passed by postal ballot or written resolution by Holders of at least 75% of the aggregate Face Value of PERLS XII then outstanding;

Subsidiary has the meaning given in the Corporations Act;

Tax means:

- (a) any tax, including GST, levy, charge, impost, duty, fee, deduction, compulsory loan or withholding; or
- (b) any income, stamp or transaction duty, tax or charge, which is assessed, levied, imposed or collected by any governmental agency and includes, but is not limited to, any interest, fine, penalty, charge, fee or other amount imposed on or in respect of any of the above.

Tax Act means the Income Tax Assessment Act 1936 (Cth) and, where applicable, the Income Tax Assessment Act 1997 (Cth) (both as amended from time to time);

Terms means these terms and conditions of PERLS XII, as set out in schedule 1 of the Deed Poll;

Tier 1 Capital means the Tier 1 Capital of CBA on the relevant Level 1 or Level 2 basis, as defined by APRA from time to time;

Tier 2 Capital means the Tier 2 Capital of CBA on the relevant Level 1 or Level 2 basis, as defined by APRA from time to time;

VWAP means the average of the daily volume weighted average prices of Ordinary Shares traded on ASX and Chi-X during the relevant VWAP Period, subject to any adjustments made under clauses 7.2 and 7.3, but the trades taken into account in determining such daily volume weighted average prices will exclude special crossings, crossings prior to the commencement of normal trading or during the closing phase or after hours adjustment phase, overnight crossings, overseas trades, trades pursuant to the exercise of options over Ordinary Shares, or any other trade determined by the Board in its discretion not to be reflective of normal trading in Ordinary Shares; and

VWAP Period means:

- (a) in the case of an Exchange resulting from a Capital Trigger Event, or a Non-Viability Trigger Event, the period of 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Exchange Date;
- (b) in the case of any other Exchange, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Exchange Date; or
- (c) otherwise, the period for which the VWAP is to be calculated in accordance with these Terms.

Corporate Directory

Registered Office of CBA

Commonwealth Bank of Australia
Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000

Arranger and Joint Lead Manager

Commonwealth Bank of Australia
Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000

Legal and Tax Advisers

Allens
Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000

Greenwoods & Herbert Smith Freehills Pty Limited
ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

Accounting Adviser

PricewaterhouseCoopers Securities Ltd
One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000

Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Joint Lead Managers

ANZ Securities Limited
Level 9, 833 Collins Street
Docklands VIC 3008

Morgan Stanley Australia Securities Limited
Level 39, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Morgans Financial Limited
Level 29, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

National Australia Bank Limited
Level 25, NAB House
255 George Street
Sydney NSW 2000

Ord Minnett Limited
Level 8, NAB House
255 George Street
Sydney NSW 2000

UBS AG, Australia Branch
Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Westpac Institutional Bank
Level 2, Westpac Place
275 Kent Street
Sydney NSW 2000

Co-Managers

Bell Potter Securities Limited
Level 29, 101 Collins Street
Melbourne VIC 3000

Crestone Wealth Management Pty Limited
Level 32, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Evans Dixon Corporate Advisory Pty Limited
Level 27, 1 O'Connell Street
Sydney NSW 2000

PERLS XII Information Line

1800 992 547 (Monday to Friday 8.00am - 7.30pm, Sydney time)

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