

# ASX ANNOUNCEMENT



## COMMONWEALTH BANK LAUNCHES COMMBANK PERLS VII CAPITAL NOTES OFFER

Expected Margin of between 2.80% and 3.00% per annum

### NOT FOR DISTRIBUTION IN THE UNITED STATES

**Sydney, 18 August 2014:** Commonwealth Bank of Australia (the “**Group**”) today announced the offer, and lodged a prospectus, for a new Tier 1 hybrid, CommBank PERLS VII Capital Notes (“**PERLS VII**”) (“**Offer**”).

PERLS VII will qualify as Tier 1 capital of the Group. The Offer is expected to raise A\$2 billion, with the ability to raise more or less. PERLS VII are expected to be quoted on ASX under the trading code CBAPD.

PERLS VII are subordinated, unsecured notes<sup>1</sup> scheduled<sup>2</sup> to pay quarterly, floating rate distributions which are expected to be fully franked. PERLS VII have a call date in December 2022 and will mandatorily exchange into CBA ordinary shares in December 2024. PERLS VII have an initial face value of \$100.

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

Commonwealth Bank of Australia and Morgan Stanley Australia Securities Limited are the Arrangers to the Offer. Goldman Sachs Australia Pty Limited; J.P. Morgan Australia Limited; Morgans Financial Limited; UBS AG, Australia Branch and Westpac Institutional Bank have also been appointed as Joint Lead Managers to the Offer. ANZ Securities Limited, Bell Potter Securities Limited; Deutsche Bank AG, Sydney Branch and Ord Minnett Limited have been appointed as Co-Managers to the Offer.

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

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<sup>1</sup> Investments in PERLS VII are an investment in the Group and may be affected by the ongoing performance, financial position and solvency of the Group. They are not deposit liabilities or protected accounts of the Group under the Banking Act 1959 (Cth).

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

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## DETAILS OF THE OFFER

The Offer will comprise:

- a Reinvestment Offer made to eligible PERLS V holders as at 7pm on the Reinvestment Offer Record Date (22 August 2014);
- a Broker Firm Offer made to retail investors who are clients of a syndicate broker and certain institutional investors; and
- a Securityholder Offer made to eligible holders of Ordinary Shares, PERLS III, PERLS V, PERLS VI, CommBank Retail Bonds or Colonial Group Subordinated Notes as at 22 August 2014.

Investors should read and consider the prospectus in full and obtain professional advice before deciding whether to invest in PERLS VII or participate in the Reinvestment Offer. Applications for PERLS VII under the Offer can only be made by completing the application form that will be in, or will accompany, a replacement prospectus containing the Margin that will be available when the Offer opens. This announcement is not advice and has not taken into account your objectives, financial situation or needs.

## KEY FEATURES OF PERLS VII

Distributions	<ul style="list-style-type: none"><li>• Distributions are scheduled to be paid quarterly in arrears</li><li>• The first Distribution is scheduled to be paid on 15 December 2014<sup>3</sup></li><li>• The Distribution Rate is equal to the sum of the 90 day bank bill rate plus the Margin, multiplied by <math>(1 - \text{Tax Rate})^4</math></li><li>• Expected Margin between 2.80% and 3.00% per annum, which will be determined through the bookbuild</li><li>• Distributions are expected to be fully franked<sup>5</sup></li></ul>
Term	<ul style="list-style-type: none"><li>• Perpetual. However, the Group must Exchange PERLS VII on the Mandatory Exchange Date (subject to the Maximum Exchange Number and Mandatory Exchange Conditions) and may, at CBA's option, Redeem PERLS VII on the Call Date, or may Exchange or Redeem PERLS VII earlier on the occurrence of certain events</li></ul>

<sup>3</sup> Distributions are scheduled to be paid quarterly on 15 March, 15 June, 15 September and 15 December. If any of these dates is not a Business Day, then payment is scheduled to be made on the next Business Day. If a payment is postponed until the next Business Day, there is no adjustment to the amount of the Distribution payable.

<sup>4</sup> The Australian corporate tax rate on the relevant Distribution Payment Date, currently 30%.

<sup>5</sup> Distributions may be unfranked or not fully franked. If a Distribution is unfranked or not fully franked, the cash Distribution will be calculated according to a different formula to compensate Holders. Holders should be aware that the ability of a holder to use franking credits will depend on their individual position and that the potential value of franking credits does not accrue at the same time as the cash Distribution is received.

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	<ul style="list-style-type: none"> <li>• Holders do not have a right to request that their PERLS VII be Redeemed or Exchanged early. To realise their investment, Holders can sell their PERLS VII on ASX at the prevailing market price</li> </ul>
Mandatory Exchange Date	<ul style="list-style-type: none"> <li>• 15 December 2024, or if the Mandatory Exchange Conditions are not satisfied on that date, the first Distribution Payment Date after that date on which the Mandatory Exchange Conditions are satisfied</li> <li>• On the Mandatory Exchange Date, holders will receive for each PERLS VII a variable number of Ordinary Shares with a value equal to \$101.01<sup>6</sup>. This is subject to the Maximum Exchange Number and Mandatory Exchange Conditions</li> </ul>
Early Exchange	<ul style="list-style-type: none"> <li>• The Group must Exchange all, some or a proportion of all PERLS VII if: <ul style="list-style-type: none"> <li>- a Capital Trigger Event or Non-Viability Trigger Event occurs; or</li> <li>- a Change of Control Event occurs</li> </ul> </li> </ul>
Call Date	<ul style="list-style-type: none"> <li>• The Group may in its absolute discretion Redeem, or elect that Resale occur, in relation to all or some PERLS VII on 15 December 2022. This is the only date on which CBA may act in this way and is subject to prior written approval from APRA<sup>7</sup></li> </ul>
Early Redemption	<ul style="list-style-type: none"> <li>• The Group may redeem PERLS VII for certain tax or regulatory reasons</li> </ul>
Risks	<ul style="list-style-type: none"> <li>• PERLS VII are subject to risks associated with PERLS VII specifically and risks associated with the Group's businesses which may affect PERLS VII. These are set out in the prospectus</li> </ul>

## REINVESTMENT OFFER FOR ELIGIBLE PERLS V INVESTORS

The Reinvestment Offer is an offer to eligible PERLS V holders to sell all or some of their PERLS V securities through the On-Market Buy-Back Facility for A\$200 per PERLS V on the On-Market Buy-Back Date (26 September 2014) and to automatically reinvest the sale proceeds in PERLS VII.

<sup>6</sup> The number of Ordinary Shares is based on the Face Value (initially A\$100) and the VWAP of Ordinary Shares during the 20 Business Days before the Mandatory Exchange Date with the benefit of a 1% discount. This may differ from the Ordinary Share price on or after Exchange, and therefore the value of Ordinary Shares received on Exchange of each PERLS VII may be more or less than \$101.01. In circumstances where part of the Face Value of a PERLS VII has already been Exchanged in accordance with the Terms, the value of Ordinary Shares received on subsequent Exchange of PERLS VII will be adjusted down accordingly.

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

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The Reinvestment Offer is only relevant to investors described in the Prospectus who are registered holders of PERLS V at 7.00pm on the Reinvestment Offer Record Date (22 August 2014). Eligible PERLS V holders have two options:

## Option 1 – Invest in PERLS VII by participating in the Reinvestment Offer

- PERLS V holders elect to participate through the Reinvestment application form, and the proceeds will be automatically reinvested in PERLS VII to be issued on 1 October 2014.
- The Group will give priority in allocation of PERLS VII to Applications received under the Reinvestment Offer over Applications received under the Securityholder Offer.
- Holders can also apply for additional PERLS VII through the Securityholder Offer.
- The Group will pay a distribution on PERLS V on 8 October 2014. This distribution will be calculated and paid up to and including 30 September 2014 and will be the final distribution received on PERLS V for holders participating in the Reinvestment Offer.

## Option 2 – Do not participate in the Reinvestment Offer

- If PERLS V holders do not participate in the Reinvestment Offer and do not sell their PERLS V on ASX before the last day for trading PERLS V (expected to be 21 October 2014)<sup>8</sup>, then it is expected that the Resale Broker will purchase any remaining PERLS V for A\$200 per PERLS V on 31 October 2014 and pay the sale proceeds to PERLS V holders. No brokerage will be payable by PERLS V holders.
- Unless PERLS V holders have sold their PERLS V before the ex-date for the distribution, they will receive a distribution on PERLS V on 8 October 2014 as outlined in Option 1 above. If PERLS V holders continue to hold their PERLS V until 31 October 2014, they will also receive a final distribution on that date, calculated and paid for the period from 1 October 2014 up to and including to 30 October 2014.

The Group will issue a Resale Notice within the time limit specified in the PERLS V terms to enable the remaining PERLS V to be resold to the Resale Broker.

## KEY DATES FOR THE OFFER<sup>9</sup>

Lodgement of prospectus with ASIC	18 August 2014
Securityholder Offer record date	22 August 2014
Bookbuild	25 August 2014

<sup>8</sup> PERLS V holders selling on ASX may have to pay brokerage to their own broker, and the prevailing market price may be more or less than A\$200. Trading in PERLS V will be suspended after the last day for trading.

<sup>9</sup> The key dates for the Offer are indicative only and subject to change without notice. The Group may, in consultation with the Arrangers, vary the timetable, including to close the Offer early; close the Reinvestment Offer or Securityholder Offer early; extend the Closing Date; accept late applications, either generally or in specific cases; or withdraw the Offer at any time prior to Issue. If any of the dates are changed, subsequent dates may also change.

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Announcement of Margin	26 August 2014
Lodgement of replacement prospectus with ASIC	26 August 2014
Opening Date for the Offer	26 August 2014
Closing Date for the Offer	5.00pm (Sydney time) 19 September 2014
Issue date	1 October 2014
Commencement of deferred settlement trading	2 October 2014
Despatch of holding statements	3 October 2014
Commencement of trading on normal settlement basis	6 October 2014

## KEY DATES FOR ELIGIBLE PERLS V HOLDERS<sup>10</sup>

Reinvestment Offer Record Date	22 August 2014
Opening Date for the Reinvestment Offer	26 August 2014
Closing Date for the Reinvestment Offer	5.00pm (Sydney time) 17 September 2014
On-Market Buy-Back Date	26 September 2014
Record date for final distribution on PERLS V participating in the Reinvestment Offer	30 September 2014
Payment date for final distribution on PERLS V participating in the Reinvestment Offer	8 October 2014
Issue Date – when PERLS VII are Issued under the Reinvestment Offer	1 October 2014
Last day of ASX trading for PERLS V which did not participate in the Reinvestment Offer	21 October 2014
Resale date for PERLS V which did not participate in the Reinvestment Offer	31 October 2014

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## ADDITIONAL INFORMATION

PERLS VII are issued by Commonwealth Bank of Australia, acting through its New Zealand branch. Potential investors can obtain a copy of the prospectus by:

- calling the PERLS VII Information Line on 1800 426 150 (Monday to Friday 8.00am - 7.30pm, Sydney time);
- contacting their broker; or
- downloading a copy, available online at [www.commsec.com.au](http://www.commsec.com.au).

- ENDS -

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