

Preferred Capital Limited
ACN 101 938 176
Darling Park, Tower 1
Ground Floor, 201 Sussex Street
Sydney NSW 2000

NOTICE OF GENERAL MEETING
PREFERRED CAPITAL LIMITED
ACN 101 938 176

Notice is hereby given to the members of Preferred Capital Limited (the "Company") that a general meeting of the Company will be held on Wednesday 6 April 2016 at Level 19 of Darling Park Tower 1, 201 Sussex Street, Sydney NSW commencing at 10.00am to conduct the following business:

Agenda for General Meeting:

Item 1. Approval of Selective Buy-Back Agreement Relating to the Preference Shares that form PERLS III

To consider and, if thought fit, to pass the following resolution for the purposes of section 257D(1)(b) of the Corporations Act 2001 (Cth):

"That approval be given to the terms and conditions of the selective buy-back agreement relating to the buy-back of up to 100% of the Preference Shares that form Perpetual Exchangeable Repurchaseable Listed Shares ("PERLS III") as described in the Explanatory Memorandum accompanying this Notice of Meeting."

Determination of Shareholders' Right to Vote

For the purposes of the meeting, those ordinary shareholders holding shares at 10:00am on Wednesday 6 April 2016 will be voting members for the meeting.

Appointment of proxy – ordinary shareholders only

If you are an ordinary shareholder and are unable to attend and vote at the general meeting on 6 April 2016, you are entitled to appoint a proxy to attend and vote on your behalf. A proxy need not be a shareholder and may be an individual or body corporate.

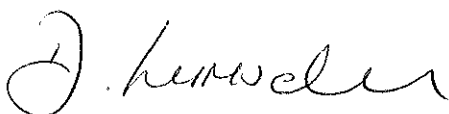
If you are an ordinary shareholder entitled to cast two or more votes, you may appoint up to two proxies and may specify the proportion of voting rights or the number of votes each proxy is entitled to exercise.

The proxy appointment must be received by the Company Secretary at the Company's registered office at Ground Floor, Tower 1, 201 Sussex Street, Sydney NSW 2000 or by facsimile to (02) 9118 7192 by 10.00am (Sydney time) Monday 4 April 2016 (being 48 hours before the meeting).

Agreement to short notice

Please sign and return the attached agreement to short notice.

By order of the Board



Diane Lumsden
Company Secretary
7 March 2016

Explanatory Memorandum

The accompanying explanatory memorandum forms part of this Notice of Meeting and should be read in conjunction with it.

Approval of Selective Buy-Back Agreement Relating to the Preference Shares that form PERLS III

Background

On 6 April 2006, the Company (a wholly owned subsidiary of Commonwealth Bank of Australia ("CBA")) issued 5,832,281 Perpetual Exchangeable Repurchaseable Listed Shares ("PERLS III") with a face value of A\$200 each. PERLS III are preference shares and are listed on the Australian Securities Exchange (code PCAPA).

The full terms of PERLS III are set out in Appendix A of the PERLS III Prospectus dated 3 March 2006. The Prospectus may be viewed and downloaded from the Shareholder Centre at www.commbank.com.au/about-us/shareholders. Unless otherwise defined, capitalised terms used in this section of the Explanatory Memorandum have the same meaning as in the PERLS III Terms.

PERLS III have a Step-up Date of 6 April 2016. On 16 February 2016, CBA announced the offer of CommBank PERLS VIII Capital Notes and associated reinvestment offer. The reinvestment offer was an offer to eligible PERLS III holders to sell all or some of their PERLS III to CBA, off-market for A\$200 per PERLS III on the reinvestment date and to automatically reinvest the sale proceeds in PERLS VIII ("Reinvestment Offer"). On the reinvestment date (30 March 2016), CBA will purchase all PERLS III participating in the Reinvestment Offer for \$200 per PERLS III ("Reinvested PERLS III").

Any PERLS III not reinvested through the Reinvestment Offer will be subject to the Exchange process set out in the PERLS III Terms. Under this process, the Company issued an Exchange Notice on 24 February 2016 stating that all non-reinvested PERLS III will be acquired by CBA on 6 April 2016 for face value in accordance the PERLS III Terms ("Exchanged PERLS III").

Under the selective buy-back the Reinvested PERLS III and Exchanged PERLS III will be bought back by the Company and subsequently cancelled ("Buy-Back").

Why are we seeking shareholder approval?

The Buy-Back will be treated as a selective buy-back under the Corporations Act 2001 (Cth) ("Corporations Act") because it relates to preference shares. The Corporations Act requires that the terms of a buy-back agreement in relation to preference shares be approved by a resolution passed at a general meeting of the Company by all ordinary shareholders.

It is expected that all PERLS III currently on issue (being, 5,832,281 PERLS III) will be bought back. Accordingly, the Board is seeking shareholder approval for the Buy-Back to extend to all PERLS III currently on issue. As noted above, the Buy-Back is expected to occur on 6 April 2016.

Summary of the terms of the Buy-Back

The Company and CBA will, subject to shareholder approval for the Buy-Back being obtained, enter into a buy-back agreement. Under that agreement, CBA will sell, and the Company will buy back, the PERLS III held by CBA for A\$200 per PERLS III. This buy-back will be conducted off-market and will be for all PERLS III held by CBA following the Reinvestment Offer and Exchange.

The PERLS III that are transferred to the Company under the Buy-Back will be cancelled.

The Buy-Back will occur at a time when the only holder of PERLS III is CBA, and therefore none of the above terms have any impact on the current holders of PERLS III or the holders of PERLS III at any time up until the time of the Exchange.

No Director of the Company is participating in the Buy-Back.

Financial effect of the Buy-Back on the Company

The main financial effect of the Buy-Back on the Company will be the cost of buying back PERLS III. The Buy-Back will require the Company to make a payment of A\$200 for each PERLS III that it buys back. The cost of buying back 100% of PERLS III on issue would be A\$1,166,456,200.

Source of funds for the Buy-Back

This payment by the Company will be funded by the redemption proceeds that the Company will receive on 6 April 2016 from convertible notes issued by CBA that are held by the Company and due to be redeemed on 6 April 2016.

Effect of Buy-Back on the control of the Company

The Company is a wholly owned subsidiary of CBA. The Buy-Back will have no effect on control of the Company.

At the time of the Buy Back the only holder of PERLS III will be CBA. Holders of PERLS III have limited voting rights. Those rights are set out in the PERLS III terms and include any proposal to wind-up the Company or any proposal to vary the rights attaching to PERLS III. The Buy-Back will result in the preference shares conferring those voting rights being cancelled.

What are the advantages of approving the Buy-Back?

CBA holds all PERLS III. If they are not bought back PCL will be required to pay interest on the PERLS III.

What are the disadvantages of approving the Buy-Back?

A potential disadvantage of the Buy-Back is that upon completion, PCL would have a reduced capital base. However, PCL will not conduct the Buy-Back unless it is satisfied that doing so will not have a material adverse impact on the Company's financial or regulatory capital position, or materially prejudice the Company's ability to pay its creditors.

Directors' interests

None of the Directors of the Company hold any shares, options or other interests in the Company.

Market price

As at the close of trade on 23 February 2016, being the last trading day before the PERLS III were suspended from trading, the price of PERLS III on the ASX was \$200.050 per share.

Financial Statements

The Company released the audited financial statements for the financial year ended 30 June 2015 to ASX on 28 September 2015. Copies of the Annual Report are available on www.asx.com.au.

Board recommendation and other information

There is no other information known to the Board which may be material to the decision on how to vote which the Company has not previously disclosed to its shareholders.

The Board recommends that its shareholders support the resolution.

Agreement

Preferred Capital Limited ("the Company")

ACN 101 938 176

Agreement to short notice

COMMONWEALTH BANK OF AUSTRALIA
(full name in block letters)

holds all of the issued ordinary shares of the Company and agrees, in relation to the attached notice of meeting, to the convening of the meeting even though the meeting is being convened by notice shorter than is otherwise required by the Constitution of the Company.

Signed by
Commonwealth Bank of Australia
by

sign here ► _____
Authorised Representative

print name _____

date 6 April 2016 _____

sign here ► _____
Witness name

print name _____

date 6 April 2016 _____
