

Colonial Group Subordinated Notes

Prospectus



Issuer

Colonial Holding Company Limited
ABN 61 074 706 782

Arrangers and Bookrunners

Goldman Sachs Australia Pty Limited
Commonwealth Bank of Australia

Joint Lead Managers

Citigroup Global Markets Australia Pty Limited
Commonwealth Bank of Australia
Evans and Partners Pty Limited
Goldman Sachs Australia Pty Limited
The Royal Bank of Scotland plc, Australia branch

Co-Managers

Bell Potter Securities Limited
FIGG Securities Limited
Ord Minnett Limited

Date of Prospectus: 15 February 2012

Investments in Colonial Group Subordinated Notes are not liabilities of the Commonwealth Bank of Australia and the Commonwealth Bank of Australia does not guarantee Colonial Group Subordinated Notes. They are not deposit liabilities or protected accounts of the Commonwealth Bank of Australia under the Banking Act 1959 (Cth)

Important Notices

Prospectus

This Prospectus relates to the offer by Colonial Holding Company Limited ABN 61 074 706 782 ("Issuer") of Colonial Group Subordinated Notes in Australia to raise A\$500 million, with the ability to raise more or less ("Offer").

This Prospectus is dated 15 February 2012 and a copy was lodged with the Australian Securities and Investments Commission ("ASIC") on this date. This Prospectus expires 13 months after the date of this Prospectus and no Colonial Group Subordinated Notes will be issued on the basis of this Prospectus after that expiry date.

ASIC and ASX Limited ("ASX") take no responsibility for the contents of this Prospectus nor for the merits of investing in Colonial Group Subordinated Notes.

This Prospectus does not provide information in relation to the credit ratings of the Issuer or Colonial Group Subordinated Notes as the companies which provide ratings in relation to the Issuer only hold Australian Financial Services Licenses which allow disclosure of this information to certain investors.

Exposure Period

Under the Corporations Act 2001 (Cth) ("Corporations Act"), the Issuer is prohibited from processing Applications in the seven day period after 15 February 2012, being the date on which this Prospectus was lodged with ASIC ("Exposure Period"). This period may be extended by ASIC by up to a further seven days. No applications received during the Exposure Period will be accepted.

Documents relevant to the Offer

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

- > the full terms of Colonial Group Subordinated Notes (see also Appendix A to this Prospectus); and
- > the Trust Deed (see Section 4.2 "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 Colonial Group Subordinated Notes.

Status of Colonial Group Subordinated Notes

Colonial Group Subordinated Notes are interest bearing, subordinated¹, unsecured notes, issued by the Issuer.

Colonial Group Subordinated Notes are not liabilities of the Commonwealth Bank of Australia or any member of the CBA Group other than the Issuer.

The Issuer is not an authorised deposit-taking institution in Australia under the Banking Act 1959 (Cth) ("Banking Act"). Therefore, investments in Colonial Group Subordinated Notes are not deposit liabilities or protected accounts under the Banking Act and are not guaranteed or insured by any Australian government, government agency or compensation scheme.

Investments in securities such as Colonial Group Subordinated Notes are subject to risks which could affect their performance, including loss of investment and income. The Issuer does not guarantee the market price of Colonial Group Subordinated Notes and/or any particular rate of return.

Information about the key risks of investing in Colonial Group Subordinated Notes is detailed in Section 3 "Key Risks of Colonial Group Subordinated 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. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by the Issuer.

Past performance information

The financial information provided in this Prospectus is for information purposes only and is not a forecast of performance to be expected in future periods. 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 issues). It is important that you read this Prospectus in full before deciding to invest in Colonial Group Subordinated Notes and consider the risks that could affect the performance of Colonial Group Subordinated Notes.

If you have any questions, you should seek advice from your financial adviser or other professional adviser before deciding to invest in Colonial Group Subordinated Notes.

Obtaining a Prospectus and Application Form

Paper copies of this Prospectus and an Application Form can be obtained free of charge during the Offer Period by calling the Colonial Group Subordinated Notes Information Line on 1800 427 320 (Monday to Friday 8.00am – 7.30pm, Sydney time) during the Offer Period.

This Prospectus can also be obtained electronically from www.comsec.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 accompanied, the electronic Prospectus.

You may also Apply by completing the online Application Form on www.comsec.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 Colonial Group Subordinated Notes 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 Colonial Group Subordinated Notes in any jurisdiction other than Australia and the Issuer does not accept any liability in that regard.

Furthermore, Colonial Group Subordinated Notes 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 law or regulations.

Restrictions applying to US Persons are outlined in Section 4.5 "US Persons".

Hong Kong

Colonial Group Subordinated Notes may not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to Colonial Group Subordinated Notes may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Colonial Group Subordinated Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. No person may make any offer in respect of Colonial Group Subordinated Notes to the public in Hong Kong within six months of the date of issue of the Colonial Group Subordinated Notes.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore

This document and any other materials relating to Colonial Group Subordinated Notes have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Colonial Group Subordinated Notes, may not be issued, circulated or distributed, nor may Colonial Group Subordinated Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) a "relevant person" (as defined under section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to Colonial Group Subordinated Notes being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Colonial Group Subordinated Notes. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings. These words and expressions are capitalised and are defined in Section 6 "Glossary".

A reference to A\$ or Australian cent 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 Colonial Group Subordinated Notes or the Offer, you should seek advice from your financial adviser or other professional adviser. You can also call the Colonial Group Subordinated Notes Information Line on 1800 427 320 (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 Colonial Group Subordinated Notes rank after any unsubordinated creditors, creditors preferred by law and secured creditors. See Section 1.3.5 "How will Colonial Group Subordinated Notes rank on insolvency?"

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ASIC Guide for Retail Investors

ASIC has published a guide for retail investors who are considering investing in bonds called “Investing in corporate bonds?” (“ASIC Guide”), which raises issues that may be relevant to your consideration of Colonial Group Subordinated Notes. A free copy of the ASIC Guide can be obtained from ASIC’s website at www.moneysmart.gov.au/publications or by calling ASIC on 1300 300 630 (from Australia) or on + 61 3 5177 3988 (from outside Australia).

A free copy of the ASIC Guide can also be obtained from www.commsec.com.au during the Offer Period and from the Shareholder Centre at www.commbank.com.au after the Issue Date.

Where can I obtain further information about the Issuer and Colonial Group Subordinated Notes?

You should focus on the financial position of the Issuer when deciding to invest in Colonial Group Subordinated Notes.

After Colonial Group Subordinated Notes are listed on ASX, the Issuer will become a disclosing entity for the purposes of the Corporations Act. As a result, the Issuer will be subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. In addition, the Issuer must notify ASX immediately (subject to certain exceptions) if it becomes aware of information that a reasonable person would expect to have a material effect on the price or value of its securities.

Copies of documents lodged with ASIC and ASX can be obtained from, or inspected at, an ASIC office and can also be obtained from www.asx.com.au.

In addition, the following information can be obtained from www.commsec.com.au during the Offer Period and from the Shareholder Centre at www.commbank.com.au after the Issue Date:

- > the Issuer’s half-yearly and annual financial reports;
- > continuous disclosure notices lodged with ASX; and
- > other general information provided to investors.

Can I receive email notification of announcements or new information?

If you wish to receive an email when the Issuer announces or publishes certain new information about itself, you can register your details with the Registry after the Issue Date.

Key Dates

KEY DATES FOR THE OFFER	DATE
Lodgement of Prospectus with ASIC	15 February 2012
Bookbuild	23 February 2012
Announcement of Margin and Lodgement of Replacement Prospectus with ASIC	24 February 2012
Opening Date for the Offer	24 February 2012
Closing Date for the Offer	5.00pm (Sydney time) 21 March 2012
Issue Date	29 March 2012
Commencement of deferred settlement trading	29 March 2012
Despatch of Holding Statements	3 April 2012
Commencement of trading on normal settlement basis	4 April 2012
KEY DATES FOR COLONIAL GROUP SUBORDINATED NOTES	
First Interest payment ¹	29 June 2012
Call Date	31 March 2017
Maturity Date	31 March 2037

Notes

¹ Interest is scheduled to be paid on the quarterly Interest Payment Dates (31 March, 30 June, 30 September and 31 December each year) until all Colonial Group Subordinated Notes have been Redeemed. If any of these scheduled dates is not a Business Day, then the payment will be made on the next Business Day, unless the scheduled date is 30 June in which case the payment will be made on the immediately preceding Business Day. If a payment is postponed until the next Business Day, there is no adjustment to the amount of Interest payable.

DATES MAY CHANGE

The key dates for the Offer are indicative only and subject to change without notice. The Issuer may, in consultation with the Arrangers and Bookrunners, vary the timetable, including to close the Offer early; close the Customer Offer early; extend the Closing Date; or withdraw 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 the Issuer and Colonial Group Subordinated Notes?

1.2 What is the Offer and how do I Apply?

1.3 More information about Colonial Group Subordinated Notes

1.3.1 How is Interest calculated on Colonial Group Subordinated Notes?

1.3.2 How is Interest paid on Colonial Group Subordinated Notes?

1.3.3 When will the Face Value be repaid?

1.3.4 What is an event of default?

1.3.5 How will Colonial Group Subordinated Notes rank on insolvency?

1.3.6 What else should I know about?



Section 1

Investment Overview

The following is an overview of the Issuer, key Terms of Colonial Group Subordinated Notes, and key benefits and risks of investing in Colonial Group Subordinated Notes. Detailed information about each of these matters is provided in the following sections of this Prospectus and it is important that you read this Prospectus, the Terms and Trust Deed in full before deciding to invest in Colonial Group Subordinated Notes. If you have any questions, you should seek advice from your financial adviser or other professional adviser before deciding to invest.

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

		Further Information	Page
1.1 What are the basic facts about the Issuer and Colonial Group Subordinated Notes?			
Issuer	<p>Colonial Holding Company Limited ABN 61 074 706 782 (“Issuer”), the holding company of the Colonial Group which is a diversified wealth management and insurance group and is wholly-owned by the Commonwealth Bank of Australia</p> <p>The principal businesses of the Colonial Group are:</p> <ul style="list-style-type: none"> > Colonial First State which provides investments, platform administration, retail product packaging, distribution and financial advice > Colonial First State Global Asset Management (CFSGAM) which provides asset management services > CommInsure, an Australian life and general insurer > Sovereign, a New Zealand life insurer > PT Commonwealth Life, an Indonesian life insurer <p>The main purpose of the Issuer is to invest capital in the subsidiaries that operate these businesses. The Issuer’s revenue and performance is dependent on the revenue and performance of its subsidiaries who pay dividends to the Issuer. Therefore, the ability of the Issuer to pay Interest and repay the Face Value is dependent on the revenue and performance of its subsidiaries. The businesses earn revenue from:</p> <ul style="list-style-type: none"> > fees based on either FUM or FUA, as applicable; and > premiums from the provision of insurance policies and from investment income <p>As a holding company, the Issuer had consolidated total assets of A\$22.9 billion and consolidated total liabilities of A\$19.4 billion as at 30 June 2011, and earned consolidated net profit after income tax of A\$800 million in the year ended 30 June 2011. The Issuer generated net cash flow (from operating and investing activities) of A\$795 million in the year ended 30 June 2011.</p> <p>You should focus on the financial position of the Issuer when deciding to invest in Colonial Group Subordinated Notes. Commonwealth Bank of Australia does not guarantee Colonial Group Subordinated Notes.</p>	<p>Section 2 “Information about the Colonial Group”</p> <p>For further information about the Issuer’s business strategy, see Section 2.2 “Businesses of the Colonial Group” and Section 2.3 “Business Strategy of the Colonial Group”</p> <p>For further information about the Issuer’s Directors, see Section 2.4 “Directors of the Issuer”</p> <p>For further information about the management of the businesses of the Colonial Group, see Section 2.5 “Management of the businesses of the Colonial Group”</p> <p>For financial information about the Issuer, see Section 2.7 “Financial information about the Issuer”</p>	17
Colonial Group Subordinated Notes	Interest bearing, subordinated ⁴ , unsecured notes, issued by the Issuer.	Appendix A Terms of Colonial Group Subordinated Notes	55

⁴ Holders of Colonial Group Subordinated Notes rank after any unsubordinated creditors, creditors preferred by law and secured creditors. See Section 1.3.5 “How will Colonial Group Subordinated Notes rank on insolvency?”

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Face Value	A\$100 per Colonial Group Subordinated Note	Appendix A Terms of Colonial Group Subordinated Notes Clause 1.4	56
Term	Twenty-five years. However, the Issuer may Redeem Colonial Group Subordinated Notes early	Appendix A Terms of Colonial Group Subordinated Notes Clause 4	58
Maturity Date	31 March 2037. However, the Issuer may Redeem Colonial Group Subordinated Notes early	Appendix A Terms of Colonial Group Subordinated Notes Clause 4	58
Early Redemption	<p>The Issuer may Redeem Colonial Group Subordinated Notes in the following circumstances:</p> <ul style="list-style-type: none"> > On the Call Date or any Interest Payment Date after the Call Date; or > At any time: <ul style="list-style-type: none"> – For tax reasons; – For regulatory reasons; or – If a Change of Control Event occurs 	Appendix A Terms of Colonial Group Subordinated Notes Clause 4	58
Call Date	<p>31 March 2017</p> <p>The Issuer expects that Colonial Group Subordinated Notes will be treated as equity by some of the rating agencies which rate the Issuer until 31 March 2017. The treatment of Colonial Group Subordinated Notes as equity for rating purposes supports the credit rating of the Colonial Group until that date but is not a rating of, nor recommendation in relation to, Colonial Group Subordinated Notes themselves</p> <p>However, the Issuer may Redeem Colonial Group Subordinated Notes earlier than the Call Date, for example, for tax reasons, regulatory reasons or if a Change of Control Event occurs</p>	Appendix A Terms of Colonial Group Subordinated Notes Clause 4.2	58
Key benefits of Colonial Group Subordinated Notes	<ul style="list-style-type: none"> > Floating interest rate equal to the sum of a Market Rate plus a fixed Margin > Fixed Margin per annum to be determined through the Bookbuild > Interest paid quarterly in arrears > Interest paid as 100% cash > Colonial Group Subordinated Notes may be sold on ASX prior to maturity > Provides investors an opportunity to diversify their investment portfolio 		

Section 1

Investment Overview Continued

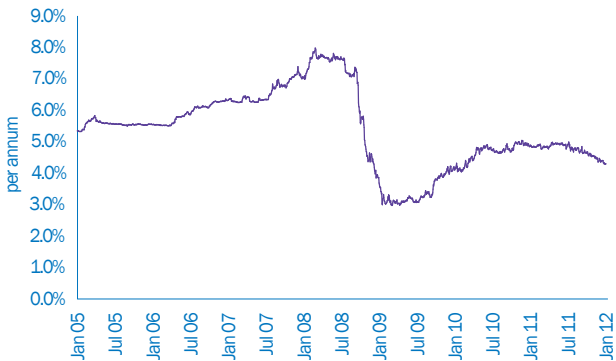
		Further Information	Page
Key risks of Colonial Group Subordinated Notes	<p>You should read Section 3 “Key Risks of Colonial Group Subordinated Notes” in full before deciding to invest. The key risks outlined in that section include risks associated with Colonial Group Subordinated Notes specifically:</p> <ul style="list-style-type: none"> > Investments in Colonial Group Subordinated Notes are subordinated and unsecured and are not deposit liabilities or protected accounts under the Banking Act > The Issuer may defer payment of Interest for up to five years after the original Interest Payment Date of the then longest outstanding deferred Interest amount > The Issuer may fail to pay Interest and/or Face Value > Colonial Group Subordinated Notes do not mature until 31 March 2037 and, as a result, there is a risk that you will not receive repayment of the Face Value before 2037. The Issuer has the right to Redeem Colonial Group Subordinated Notes on the Call Date of 31 March 2017 (or any Interest Payment Date after the Call Date) and in certain other circumstances, but is not required to do so > The Issuer may Redeem Colonial Group Subordinated Notes if certain events occur. This includes for tax reasons, regulatory reasons (Level 3 capital) or if a Change of Control Event occurs > Holders do not have a right to request that their Colonial Group Subordinated Notes be Redeemed early > The Issuer may raise more debt and issue further securities which may rank equally with or ahead of Colonial Group Subordinated Notes, whether or not secured > Interest Rate will fluctuate with changes in the Market Rate > Market price of Colonial Group Subordinated Notes will fluctuate and you may not recover the full Face Value if you sell your Colonial Group Subordinated Notes > Liquidity of Colonial Group Subordinated Notes may be low and you may not be able to sell your Colonial Group Subordinated Notes at an acceptable price or at all > Issuer may amend the Terms <p>The key risks outlined in that section include risks associated with the Issuer’s businesses that may affect Colonial Group Subordinated Notes:</p> <ul style="list-style-type: none"> > Colonial Group may be adversely affected by the current disruption to global markets > Colonial Group may be adversely affected by a downturn in the Australian economy > Colonial Group may be adversely affected by insurance claims > Colonial Group is subject to extensive regulation > Colonial Group is subject to operational risks > Colonial Group is subject to intense competition > Colonial Group may be adversely affected by harm to its reputation > Issuer is a holding company and is dependent on the performance of its subsidiaries > Acquisitions of other businesses may adversely affect the Colonial Group’s performance and financial position > Change of ownership or control of the Colonial Group may adversely affect its performance and financial position 	Section 3 “Key Risks of Colonial Group Subordinated Notes”	35

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Differences between saving accounts, term deposits, vanilla bonds, Colonial Group Subordinated Notes, and ordinary shares	There are differences between saving accounts, term deposits, vanilla bonds, Colonial Group Subordinated Notes, and ordinary shares. You should consider these differences in the light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding to invest in Colonial Group Subordinated Notes					
		Saving accounts	Term deposits	Vanilla bonds	Colonial Group Subordinated Notes	Ordinary shares
	Issuer	Bank, credit union or building society	Bank, credit union or building society	Company (may be a bank or other type of company)	Colonial Holding Company Limited	Company (may be a bank or other type of company)
	Guarantee under the Australian government Financial Claims Scheme ¹	Yes	Yes	No	No	No
	Term	At call (usually)	One month to five years (usually)	Three to five years (usually)	Twenty-five years with the ability for the Issuer to Redeem after five years	Perpetual (no maturity date)
	Interest rate	Variable (usually)	Fixed (usually)	May be floating or fixed	Floating	Variable dividends are payable
	Interest payment dates	Monthly (usually)	End of term or per annum (usually)	Quarterly (usually)	Quarterly	Semi-annually
	Interest is deferrable	No	No	No	Yes, for up to five years	Dividends may not be paid in certain circumstances
	Transferable	N/A	No ²	Yes if quoted on ASX	Yes – quoted on ASX	Yes if quoted on ASX
	Ranking	See Section 1.3.5 “How will Colonial Group Subordinated Notes rank on insolvency?”				
Notes						
1 From 1 February 2012, the guarantee will be provided for up to \$A250,000 deposited per person with each Australian financial institution						
2 Can be withdrawn subject to conditions						

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Investment Overview Continued

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1.2 What is the Offer and how do I Apply?			
Offer size	A\$500 million with the ability to raise more or less		
Use of proceeds	<p>The Offer diversifies the Colonial Group's sources and types of funding. The net proceeds of the Offer will be used to refinance existing debt of the Colonial Group</p> <p>Colonial Group Subordinated Notes will be classified as debt in the financial statements of the Issuer for the entirety of their term</p>	Section 2.7 "Financial information about the Issuer"	26
Offer structure	<p>The Offer comprises:</p> <ul style="list-style-type: none"> > Broker Firm Offer; > Customer Offer; and > General Offer <p>No brokerage is payable if you apply for Colonial Group Subordinated Notes under the Offer</p>	For further information on the different types of Offer and how to Apply, see Section 5 "How to Apply"	47
Minimum Application for Colonial Group Subordinated Notes	50 Colonial Group Subordinated Notes (A\$5,000) and thereafter in multiples of 10 Colonial Group Subordinated Notes (A\$1,000)	Section 5.2.1 "Minimum Application"	48
How to Apply	To apply for Colonial Group Subordinated Notes, you must complete an Application Form and follow the instructions in Section 5 "How to Apply"	Section 5 "How to Apply"	47

		Further Information	Page
1.3 More information about Colonial Group Subordinated Notes			
1.3.1 How is Interest calculated on Colonial Group Subordinated Notes?			
Interest Rate	<p>Colonial Group Subordinated Notes are scheduled to pay cumulative, quarterly, floating rate Interest until the Maturity Date or any earlier Redemption Date</p> <p>(i) For the first Interest Period beginning on the Issue Date, the Interest Rate will be the higher of 7.50% per annum and the rate calculated in (ii) below</p> <p>(ii) For all other Interest Periods, the Interest Rate is equal to the sum of the Market Rate on the first Business Day of the Interest Period plus the Margin</p> <p>The Margin will be determined through the Bookbuild</p> <p>The Market Rate is a primary benchmark interest rate for the Australian money market. It is based on an average of rates at which major Australian financial institutions lend short-term cash to each other over a 90 day period. It changes to reflect supply and demand within the cash and currency markets</p> <p>Historical 90 day Market Rate</p>  <p>Source: Bloomberg</p> <p>Note: This chart shows historical movements in the Market Rate. Past levels are not necessarily indicative of future levels. Bloomberg has not consented to the use of this trading data in this Prospectus</p>	Appendix A Terms of Colonial Group Subordinated Notes Clauses 2.2 and 3.1	56, 57
Calculation of Interest	<p>Interest payable on each Colonial Group Subordinated Note for each Interest Period is calculated using the following formula:</p> <p>Interest payable =</p> $\text{Interest Rate} \times \text{A\$100} \times \frac{\text{Number of days in the Interest Period}}{365}$ <p>For example, if the Market Rate was 4.42% per annum, the Margin was 3.25% per annum and the Interest Period was 90 days in length, the Interest for the relevant Interest Period would be calculated as follows:</p> $7.67\% \times \text{A\$100} \times \frac{90}{365}$ $= \text{\$A1.8912 per Colonial Group Subordinated Note}$ <p>The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Interest Rate for any Interest Period. The actual amount of Interest payable may be higher or lower than this example</p> <p>It should be noted that, to assist you to complete your tax return, Interest scheduled to be paid for the Interest Period ending 30 June will include Interest payable up to (and including) 30 June and, if 30 June is not a Business Day, will be paid on the immediately preceding Business Day</p> <p>The Issuer will announce to ASX the applicable Interest Rate and the amount of Interest payable for each Interest Period. Information about the Interest Rate can also be obtained from the Shareholder Centre at www.commbank.com.au after the Issue Date</p>	Appendix A Terms of Colonial Group Subordinated Notes Clause 3	57

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1.3.2 How is Interest paid on Colonial Group Subordinated Notes?			
Interest Payment Dates	<p>Interest is scheduled to be paid quarterly in arrears on the following dates, until all Colonial Group Subordinated Notes have been Redeemed:</p> <ul style="list-style-type: none"> > 31 March > 30 June > 30 September > 31 December <p>If any of these scheduled dates is not a Business Day, then the payment will generally be made on the next Business Day, unless the scheduled date is 30 June in which case the payment will be made on the immediately preceding Business Day. If a payment is postponed until the next Business Day, there is no adjustment to the amount of Interest payable. The first Interest payment will be made on 29 June 2012</p> <p>It should be noted that, to assist you to complete your tax return, Interest scheduled to be paid for the Interest Period ending 30 June will include Interest payable up to (and including) 30 June and, if 30 June is not a Business Day, will be paid on the immediately preceding Business Day</p>	<p>Appendix A Terms of Colonial Group Subordinated Notes Clause 12.2</p> <p>For further information about the tax consequences of receiving payments of Interest (including potential withholdings from such payments on account of tax), see Section 4 “Other Information”</p>	65
Payments	<p>Interest will be paid to Holders whose details are recorded with the Registry at close of business on the Record Date, which is the date that is eight days prior to the relevant Interest Payment Date (or the date for payment of any deferred Interest) or such other date as determined by the Issuer and communicated to ASX or such other date as may be required by ASX</p> <p>Payments of Interest and repayment of the Face Value will be paid by electronic transfer to a bank account maintained with a financial institution nominated by the Holder</p>	Appendix A Terms of Colonial Group Subordinated Notes Clause 8	61
Interest may be deferred	<p>The Issuer may, in its sole discretion, defer payment of all or any part of an Interest amount. The Issuer will announce any deferral to ASX</p> <p>Deferred Interest may be paid at any time and must be paid by no later than five years after the original Interest Payment Date of the then longest outstanding deferred Interest amount. If an Interest amount is deferred, then until it is paid:</p> <ul style="list-style-type: none"> > Interest will accrue on that deferred Interest amount at the Interest Rate for the relevant Interest Period and must be paid when that deferred Interest amount is paid, whether five years after the original Interest Payment Date of the then longest outstanding deferred Interest amount, on the date on which there is any breach by the Issuer of the dividend and capital restrictions described in the following paragraph, on the Maturity Date or any earlier Redemption Date; and > If any deferred Interest (or any Interest on any deferred Interest) is outstanding or any Colonial Group Subordinated Notes are not Redeemed when required under the Terms, the Issuer cannot (without the approval of a Special Resolution): <ul style="list-style-type: none"> – pay a dividend or interest, or make any distribution on, any ordinary and preference shares of the Issuer or securities which rank equal to, or after, Colonial Group Subordinated Notes; or – redeem, reduce, cancel, purchase or buy-back any ordinary and preference shares of the Issuer or securities which rank equal to, or after, Colonial Group Subordinated Notes unless all deferred Interest amounts are paid or all Colonial Group Subordinated Notes have been Redeemed (subject to certain limited exceptions) <p>This means the Issuer will be prevented from paying ordinary and preference share dividends to the Commonwealth Bank of Australia</p>	Appendix A Terms of Colonial Group Subordinated Notes Clauses 2.3, 2.4, 2.5 and 2.6	56, 57

		Further Information	Page
1.3.3 When will the Face Value be repaid?			
Repayment of Face Value on the Maturity Date	<p>On the Maturity Date, you will receive:</p> <ul style="list-style-type: none"> > The Face Value; plus > Any deferred Interest including interest accumulated on that deferred Interest; plus > The final payment of Interest for the period from (and including) the preceding Interest Payment Date to (but excluding) the Maturity Date 	Appendix A Terms of Colonial Group Subordinated Notes Clause 4.1	58
Early Redemption rights for the Issuer	<p>The Issuer has the right to Redeem some or all Colonial Group Subordinated Notes in the following circumstances:</p> <ul style="list-style-type: none"> > On the Call Date (31 March 2017) or any Interest Payment Date after the Call Date; or > At any time: <ul style="list-style-type: none"> – For tax reasons; – For regulatory reasons; or – If a Change of Control Event occurs <p>On the Redemption Date, you will receive:</p> <ul style="list-style-type: none"> > The Face Value; plus > Any deferred Interest including interest accumulated on that deferred Interest; plus > A final payment of Interest for the period from (and including) the preceding Interest Payment Date to (but excluding) the Redemption Date 	Appendix A Terms of Colonial Group Subordinated Notes Clause 4	58
Early Redemption rights for the Issuer – for regulatory reasons	<p>The Issuer has the right to Redeem all (but not some) Colonial Group Subordinated Notes for a regulatory reason. A regulatory reason arises when, at any time after APRA implements its proposals to supervise entities on a Level 3 basis, Colonial Group Subordinated Notes are not or will not be treated as capital of the CBA Group on a Level 3 basis. If implemented, the proposals may apply from 2013</p> <p>If such a regulatory reason arises, the Issuer may choose to:</p> <ul style="list-style-type: none"> > Redeem Colonial Group Subordinated Notes for their Redemption Amount plus an additional amount of A\$1.50 per Colonial Group Subordinated Note; > Amend the Terms with the consent of Holders to seek to enable Colonial Group Subordinated Notes to qualify as capital. If unsuccessful, the Issuer will either Redeem Colonial Group Subordinated Notes or retain them without amendment; or > Retain the Colonial Group Subordinated Notes without amendment <p>The Issuer will evaluate each of these options, including whether to Redeem for regulatory reasons</p>	<p>Appendix A Terms of Colonial Group Subordinated Notes Clauses 4.5 and 11.4</p> <p>Section 3.2.6 “The Issuer May Redeem Colonial Group Subordinated Notes if certain events occur”</p>	58, 63 37

Section 1

Investment Overview Continued

		Further Information	Page
No early Redemption rights for Holders	<p>Holders do not have a right to request that their Colonial Group Subordinated Notes be Redeemed early for any reason</p> <p>To realise your investment, you can sell your Colonial Group Subordinated Notes on ASX at the prevailing market price</p>	Appendix A Terms of Colonial Group Subordinated Notes Clause 4.7	59
Change of Control Event	<p>The Issuer has the right to Redeem all (but not some) Colonial Group Subordinated Notes if a Change of Control Event occurs</p> <p>Holders do not have a right to request that their Colonial Group Subordinated Notes be Redeemed if a Change of Control Event occurs. However, following a Change of Control Event, the Margin will increase by 2.50% (unless the Issuer exercises a right to Redeem Colonial Group Subordinated Notes)</p> <p>In addition, to realise your investment, you can sell your Colonial Group Subordinated Notes on ASX at the prevailing market price</p>	Appendix A Terms of Colonial Group Subordinated Notes Clauses 4.6 and 4.8	59
1.3.4 What is an event of default?			
Event of default	<p>An event of default will occur if the Issuer is wound-up</p> <p>If an event of default occurs and is continuing, the Trustee may declare that all Colonial Group Subordinated Notes are to be Redeemed for their Face Value plus any deferred Interest (including Interest accumulated on that deferred Interest) plus any final Interest payment for the last Interest Period and may make a claim for this amount in the winding-up</p> <p>Non-payment of Interest is not an event of default</p>	Appendix A Terms of Colonial Group Subordinated Notes Clause 6	60
1.3.5 How will Colonial Group Subordinated Notes rank on insolvency?			
No security	Colonial Group Subordinated Notes are not secured by any assets of the Issuer or its subsidiaries and do not have the benefit of any guarantee from any subsidiary of the Issuer or the Commonwealth Bank of Australia	Appendix A Terms of Colonial Group Subordinated Notes Clause 5	59
Ranking on insolvency of the Issuer	<p>If the Issuer becomes insolvent, your claim will rank after the claims of any unsubordinated creditors (including holders of Colonial Finance Senior Debt and general unsubordinated unsecured creditors), creditors preferred by law and secured creditors</p> <p>Your claim will rank equally with Holders of other Colonial Group Subordinated Notes, equally with claims of other subordinated unsecured creditors of the Issuer, and ahead of all holders of ordinary and preference shares of the Issuer (the holder of the ordinary and preference shares of the Issuer is the Commonwealth Bank of Australia)</p> <p>Further, as your claim is only against the Issuer, it is only recoverable out of the assets of the Issuer, being the Issuer's investments in its subsidiaries. Accordingly, any liabilities of these subsidiaries will effectively rank ahead of your claim in relation to the ability to recover your claim from the assets of those subsidiaries</p>	Appendix A Terms of Colonial Group Subordinated Notes Clause 5	59

			Further Information	Page	
Illustration of ranking on insolvency of the Issuer ¹		Existing Issuer obligations/ securities¹	Amount as at 31 December 2011		
	Higher ranking	Secured debt	Currently none ²		
	↑	Liabilities preferred by law	> Debts preferred by law including employee entitlements	A\$208m	
		Unsubordinated unsecured debt and general unsubordinated unsecured creditors	> Guarantee in relation to Colonial Finance Senior Debt ³ > Intra-group borrowings from Colonial Finance Limited and other subsidiaries of the Issuer that have raised finance from external parties ³ > Other unsubordinated unsecured obligations	Included in Note 3 below A\$2.31bn Currently none	
	↓	Subordinated unsecured debt	> Colonial Group Subordinated Notes > Other subordinated unsecured debt obligations	A\$500m with the ability to raise more or less Currently none	
		Preference securities	> Preference shares held by Commonwealth Bank of Australia	A\$276m	
	Lower ranking	Ordinary shares	> Ordinary shares held by Commonwealth Bank of Australia	A\$4.51bn	
<p>1 This is a simplified capital structure of the Issuer and does not include every type of security issued or that could be issued in the future by the Issuer. The Issuer could raise more debt or guarantee additional amounts at any time. In addition, Colonial Group Subordinated Notes are effectively subordinated to the liabilities of the Issuer's subsidiaries in relation to the ability to recover a claim from the assets of those subsidiaries (including life insurance and life investment contract liabilities which were A\$12.8 billion (gross of reinsurance) as at 31 December 2011)</p> <p>2 The Issuer has not given any mortgage, charge or other security interest over its assets. However, in the ordinary course of its business and that of its subsidiaries, certain arrangements have been or may be entered into which are treated as creating a security interest for certain purposes</p> <p>3 As at 31 December 2011, the amount of Colonial Finance Senior Debt on issue was A\$1.96 billion and the amount of intra-group borrowings from other subsidiaries of the Issuer that have raised finance from external parties was A\$350 million</p>					

Section 1

Investment Overview Continued

1.3.6 What else should I know about?		Further Information	Page
No voting rights for Holders at shareholder meetings	<p>Holders do not have a right to vote at meetings for shareholders of the Issuer or Commonwealth Bank of Australia</p> <p>Holders may vote at meetings for Colonial Group Subordinated Notes in accordance with the Trust Deed</p>	Appendix A Terms of Colonial Group Subordinated Notes Clauses 1.8 and 11.2	56, 62
Further issues of securities	<p>The Issuer has the right to issue additional Colonial Group Subordinated Notes</p> <p>The Issuer also has the right to issue other securities that have the same or different dividend, interest or distribution rates; maturities; or terms and conditions to Colonial Group Subordinated Notes and which may rank after, equally with, or ahead of Colonial Group Subordinated Notes, whether or not secured. If such securities rank ahead of Colonial Group Subordinated Notes, they may affect your ability to recover Interest or Face Value due to you on an insolvency</p> <p>A holding of Colonial Group Subordinated Notes does not confer any right to participate in further issues of securities by the Issuer or Commonwealth Bank of Australia</p>	<p>Section 3.2.8 “The Issuer may raise more debt and issue further securities”</p> <p>Appendix A Terms of Colonial Group Subordinated Notes Clause 1.8</p>	<p>37</p> <p>56</p>
	ASX quotation	<p>The Issuer will apply for quotation of Colonial Group Subordinated Notes on ASX. It is expected that Colonial Group Subordinated Notes will be quoted under code “CNGHA”</p>	Section 5.3 “Issue and Quotation of Colonial Group Subordinated Notes”
Amendment of Terms	<p>The Issuer may amend the Terms if the amendment has been approved by a Special Resolution of Holders, or without the consent of Holders in limited other circumstances</p>	Appendix A Terms of Colonial Group Subordinated Notes Clauses 11.3 and 11.4	63
Trustee and Trust Deed	<p>The Trustee holds the rights in relation to the Colonial Group Subordinated Notes on trust for Holders under the Trust Deed. In certain circumstances, the Trustee will act on behalf of Holders such as when an event of default occurs</p> <p>The Trustee holds the right to enforce any obligations of the Issuer under the Terms and Trust Deed on trust for Holders. The Trustee will be entitled to take any action against the Issuer to enforce any such obligations of the Issuer, subject to the terms of those documents. The Trustee must take action to enforce the Terms and Trust Deed if it has been directed to do so by the required majority of Holders (or the Terms otherwise oblige it to act) and it is indemnified to its reasonable satisfaction and is not restricted or prohibited from taking such action by any court order or any applicable law</p> <p>Holders will not be entitled to take any action to enforce any right or remedy under the Terms or Trust Deed unless the Trustee fails to do so within a reasonable period after becoming required to take that action in accordance with the Trust Deed. If the Trustee continues to fail to act, a Holder may, in the name of the Trustee and subject to the Terms and Trust Deed, take the required action to the same extent as the Trustee would have been entitled to do so</p>	Section 4.2.1 “Trust Deed”	42
Governing law	New South Wales, Australia	Appendix A Terms of Colonial Group Subordinated Notes Clause 11.9	63

If you have any questions about Colonial Group Subordinated Notes or the Offer, you should seek advice from your financial adviser or other professional adviser. You can also call the Colonial Group Subordinated Notes Information Line on 1800 427 320 (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

Section 2

Information About the Colonial Group

- 2.1 Profile of the Colonial Group
- 2.2 Businesses of the Colonial Group
- 2.3 Business strategy of the Colonial Group
- 2.4 Directors of the Issuer
- 2.5 Management of the businesses of the Colonial Group
- 2.6 Corporate governance of the Colonial Group
- 2.7 Financial information about the Issuer



Section 2

Information About the Colonial Group

2.1 Profile of the Colonial Group

The Issuer is Colonial Holding Company Limited, a wholly-owned subsidiary of the Commonwealth Bank of Australia. It was acquired by the Commonwealth Bank of Australia in 2000.

The Issuer is the holding company for the wealth management and insurance subsidiaries of the Commonwealth Bank of Australia, referred to in this Prospectus as the “Colonial Group”. The Colonial Group is a diversified wealth management and insurance group with significant positions in the funds management, platforms, advice and insurance markets.

The Colonial Group’s 5,500 workforce spans a global operation present in a number of profitable and fast growing markets. It operates under highly recognised brands including Colonial First State, Colonial First State Global Asset Management, First State Investments, CommInsure and Sovereign.

As a holding company, the main purpose of the Issuer is the capital and funding strategy of the Colonial Group. As at 30 June 2011, it had consolidated total assets of A\$22.9 billion and consolidated total liabilities of A\$19.4 billion, and earned consolidated net profit after income tax of A\$800 million, in the year ended 30 June 2011. Additional financial information on the Issuer (consolidated with its subsidiaries) is provided in Section 2.7 “Financial information about the Issuer”.

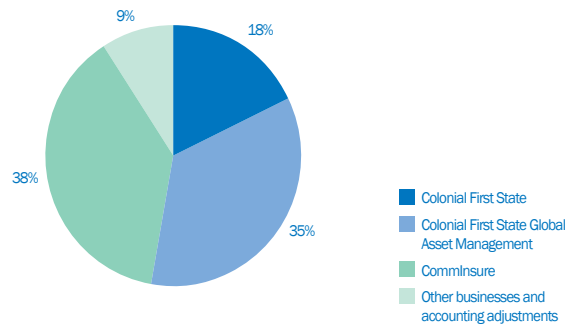
The Issuer contributed approximately 12.5% to the Commonwealth Bank of Australia’s annual profit in the year ended 30 June 2011.

You should focus on the financial position of the Issuer when deciding to invest in Colonial Group Subordinated Notes. Colonial Group Subordinated Notes are not liabilities of the Commonwealth Bank of Australia and the Commonwealth Bank of Australia does not guarantee Colonial Group Subordinated Notes or the obligations of the Issuer. In addition, they are not deposit liabilities or protected accounts under the Banking Act and therefore are not guaranteed or insured by any Australian government, government agency or compensation scheme.

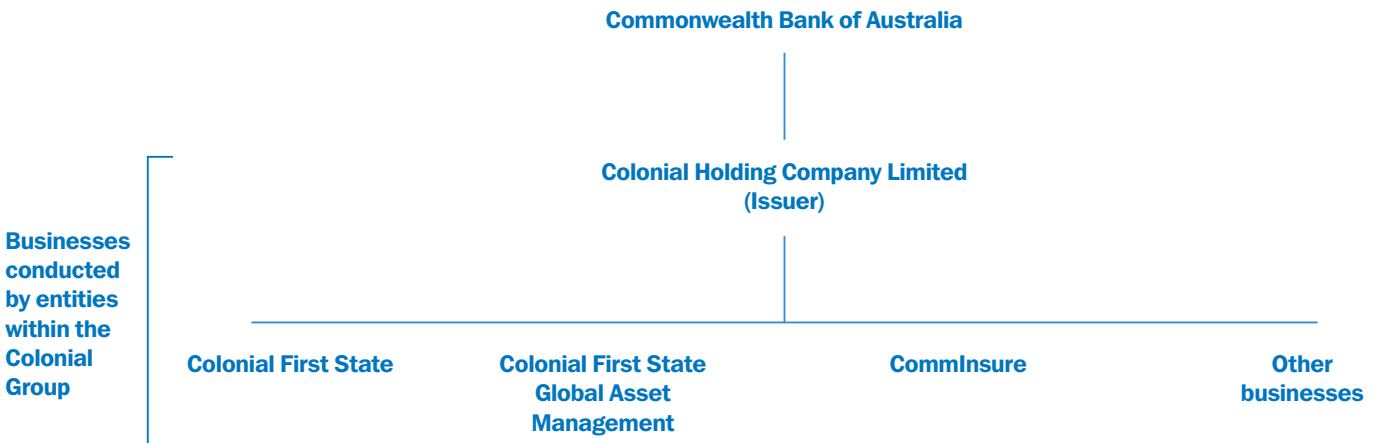
The Issuer is not listed on ASX. However, Colonial Group Subordinated Notes will be listed on ASX after they are issued and the Issuer will become a disclosing entity for the purposes of the Corporations Act. As a result, the Issuer will be subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules.

Some members of the Colonial Group are regulated by APRA, ASIC and other regulatory bodies.

Business contribution to the Issuer’s net profit after tax for the full year ended 30 June 2011



Structure of the Colonial Group



2.2 Businesses of the Colonial Group

The principal businesses of the Colonial Group are:

- > Colonial First State
- > Colonial First State Global Asset Management; and
- > CommInsure



Colonial First State has been helping Australians with their investment needs since 1988. It delivers investments, platform administration, retail product packaging, distribution and financial advice. Colonial First State has over 2,500 staff Australia-wide, with offices in Sydney, Melbourne, Brisbane, Perth and Adelaide, including financial advisers all across Australia.

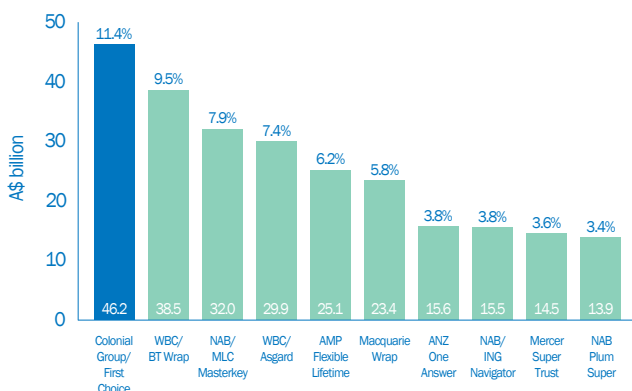
Colonial First State's platforms

Colonial First State provides administration and investment access through two platforms, FirstChoice and FirstWrap, and through its white label platform business, Colonial First State Custom Solutions. Both platforms are supported by independent financial advisers and Colonial First State's aligned advice businesses including around 1,800 financial advisers.

FirstChoice continues to be Australia's largest platform by market share (based on Plan for Life data at September 2011) and achieved the second highest adviser satisfaction rating in the 2011 Wealth Insights Survey¹. The FirstChoice platform offers over 110 investment options targeting retail clients with good choice, competitive fees and low investment minimums. The FirstChoice platform administers \$47.5 billion as at 31 December 2011.

The award winning FirstWrap platform offers a more comprehensive platform service for clients with sophisticated needs and it received the highest overall adviser satisfaction rating in the 2011 Wealth Insights Survey¹. Other first class features include over 250 managed funds, all ASX listed securities, exchange traded funds, fixed interest, structured products and term deposits, a margin lending facility, an equity service including a panel of brokers, extensive tax, business and client reporting plus an integrated insurance offering.

Market share – Funds under administration (owned platforms)



Source: Plan for Life as at September 2011 (The above chart excludes the Custom Solution's FirstWrap platform and white label arrangements)

Colonial First State Custom Solutions provides tailored 'white label' solutions to financial planning dealer groups and institutional investors. With over 10 years of experience in the platforms market, Colonial First State Custom Solutions administers assets in excess of \$7.9 billion as at 31 December 2011, including 'white label' arrangements for some of Australia's largest financial advice firms.

Colonial First State's financial advice businesses

The Colonial First State aligned advice businesses offer advice services ranging from simple single issue advice to holistic planning needs and target both mass market and affluent retail customers.

As the second largest aligned adviser base in Australia², the Colonial First State dealership licensees include:



Colonial First State's strategy and key strategic priorities

Colonial First State is 'determined to be Australia's leading wealth creation business' and is a large vertically integrated wealth management business with significant market share and strong relative net flows.

Colonial First State strategic priorities include:

- > Enhance core platforms and service capabilities to maintain high adviser satisfaction ratings and improve the scalability of the business.
- > Transform and grow advice business by building a large, but sustainable aligned advice capability.
- > Leverage the CBA customer base by improving cross sell capabilities.
- > Invest in people capability by focusing on talent acquisition, development and employing a flexible and diverse workforce.

Colonial First State recent awards include:

- > Ranked number one by advisers for overall platform satisfaction for FirstWrap in the Wealth Insights – Service Level Survey Awards 2011
- > Ranked number two by advisers for overall platform satisfaction for FirstChoice in the Wealth Insights – Service Level Survey Awards 2011
- > Winner Best Product for FirstWrap in the Investment Trends Platform Report 2010³

Further information about Colonial First State and its products and services is available on www.colonialfirststate.com.au.

1 2011 Wealth Insights Platform Service Level Survey

2 Based on Rainmaker Advantage report June 2011. Colonial Group adjusted for later acquisition of Count in December 2011

3 Results from Investment Trends Platform Report 2010, based on a face-to-face research and audit methodology

Section 2

Information About the Colonial Group Continued

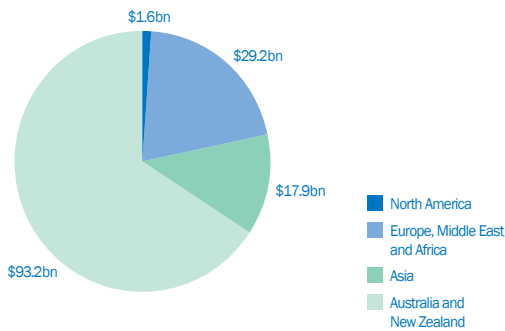


Global Asset Management

Colonial First State Global Asset Management (CFSGAM, known as First State Investments outside of Australia) is the consolidated asset management division of the Colonial Group. It has offices throughout Australia, Asia, Europe, the UK, and North America, and is represented in China through the First State Cinda joint venture.

CFSGAM managed A\$141.9 billion (as at 31 December 2011) on behalf of institutional investors, pension funds, wholesale distributors and platforms, financial planners and their clients worldwide. CFSGAM is also the manager of CFS Retail Property Trust and Commonwealth Property Office Fund, both of which are listed on ASX. It is also the manager of Kiwi Income Property Trust which is listed on NZX.

The following chart shows a breakdown of the FUM of CFSGAM as at 31 December 2011:



Note: 35% FUM raised from offshore clients, 54% revenue generated offshore

CFSGAM's capabilities

CFSGAM is a global specialist investment manager, offering specialist investment services across four broad capabilities: equities, debt, direct property and direct infrastructure. CFSGAM also provides innovative and customised multi-asset investment solutions to help institutional clients achieve their strategic investment objectives.

CFSGAM was recognised with numerous awards in 2011, underscoring the strength of its investment capabilities. Some of the highlights include:

Professional Adviser Awards 2011	Best International Equity Group
Morningstar Fund Awards 2011 (Europe)	Best Specialist Equities Fund House
Investment Week UK	Fund Manager of the Year
Morningstar Fund Awards 2011 (UK)	Best Large Equity Fund House

CFSGAM's approach to investing

CFSGAM's approach to investing is driven by its commitment to providing superior investment performance to its clients around the world. CFSGAM has a history of investment performance, with 76% of investment strategies outperforming their benchmarks over 3 years¹. CFSGAM remains focused and committed to its established investment philosophies and processes. It manages within a rigorous risk management and corporate governance framework.

As a business, CFSGAM is proud of its long track record in the consideration of environmental, social and corporate governance ("ESG") issues. By embracing the United Nations Principles for Responsible Investment ("UNPRI"), CFSGAM believes it can achieve improved long-term, risk-adjusted investment returns for its clients, and ESG considerations are therefore incorporated in all of its investment processes. CFSGAM is a recognised global leader in its use of the UNPRI and was among the first Australian investment managers to become a signatory to the UNPRI.

CFSGAM's strategy and key strategic priorities

CFSGAM is well-positioned to capitalise on a number of trends emerging in the investment management industry globally: growth of industry assets due to increasing government attention on retirement income (for example, the proposed increase to the superannuation guarantee in Australia); increasing wealth in developing countries; and faster economic growth of emerging economies.

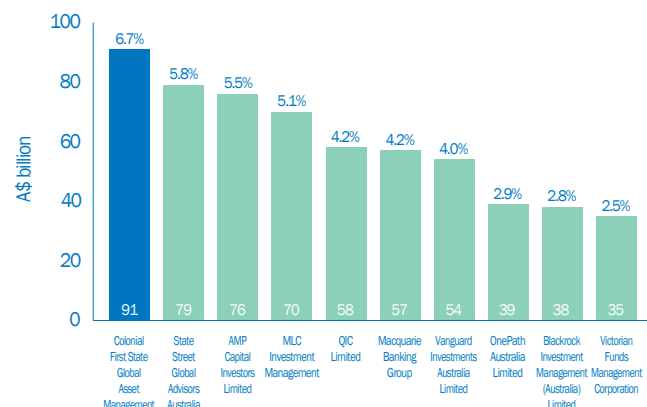
CFSGAM's aspirations and business strategy are developed with regard to these emerging trends, whilst focusing on its fiduciary duty as a manager of client assets. Its aspirations are:

- > To be a world-class global specialist investment manager, delivering sustainable and long-term growth, by consistently delivering investment success to its clients around the world;
- > To outperform benchmarks and peers;
- > To uphold a culture that acts in clients' best interests; and
- > To deliver profitable growth for the Commonwealth Bank of Australia's shareholders, in an operationally efficient manner and within its desired risk framework.

CFSGAM's strategic priorities are to protect clients' interests and seek opportunities to expand its global investment capabilities and distribution reach. Underlying this approach is a commitment to investing in technology and people; both being integral to the success of the business.

Further information about CFSGAM and its products and services is available on www.cfsgam.com.au.

Market share – Australian-sourced funds under management



Source: Rainmaker as at September 2011 (Australian-sourced FUM of Australian entities)

1 As at 31 December 2011



CommInsure is the Colonial Group's Australian life and general insurance businesses. CommInsure was Australia's 3rd largest provider of life risk products as at September 2011 with 12% market share, and is a top ten provider of general insurance products providing insurance cover to over three million policy holders. CommInsure also provides annuities and other investment products.

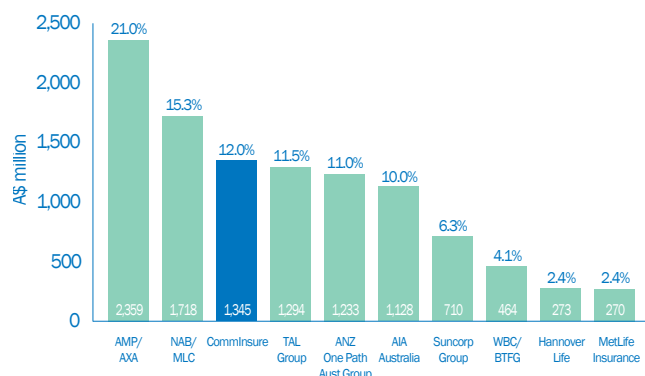
CommInsure conducts business through a number of legal entities including The Colonial Mutual Life Assurance Society Limited (CMLA) and Commonwealth Insurance Limited (CIL). It is regulated as a life insurer (CMLA) and a general insurer (CIL) by APRA. As at 31 December 2011, CMLA had a surplus of \$557 million over its solvency requirements and CIL had capital of 1.81 times its minimum requirement.

As at 31 December 2011, CommInsure had annual Inforce Premiums of over A\$1.8 billion across its life and general insurance portfolios.

CommInsure's retail life business manufactures and distributes life insurance, total and permanent disablement and income protection products to end customers through independent financial advisers, Commonwealth Financial Planning, and aligned dealer groups. CommInsure also manufactures consumer credit, term, injury and accident insurance which it distributes to CBA Group's customers.

CommInsure's wholesale insurance business offers limited underwriting insurance to over 2.5 million customers through industry funds, corporate clients, and master trusts including Colonial First State. The wholesale business has over \$558 million in annual earned premiums.

Market share – Life insurance Inforce Premiums (value of annualised premiums)



Source: Plan for Life as at September 2011 (excluding General Insurance)

CommInsure's general insurance business manufactures and distributes home and motor insurance through the CBA Group. Over recent years, the general insurance business has continued to grow faster than industry, largely driven by an expansion into the motor market and focused cross-sell through the CBA Group.

CommInsure also provides and administers annuity and investment products as part of its funds management business.

CommInsure's strategy and key strategic priorities

CommInsure's strategy is focused on profitable growth in domestic markets. As part of Australia's largest banking group, CommInsure is able to leverage key strategic advantages, including the strength, scale and reputation of the Commonwealth Bank of Australia brand, its retail network and access to its large customer base.

CommInsure is committed to ensuring Australians have adequate insurance cover by making insurance affordable, easier to understand and easier to purchase. CommInsure is also committed to helping Australians in their moments of need. CommInsure pays over \$1 billion in insurance claims per annum.

It was recently awarded:

- > Life Insurance Company of the Year in the 2011 Australian and New Zealand Institute of Insurance and Finance Awards;
- > Life Company of the Year in the 2010 Plan for Life & Association of Financial Advisers for the second consecutive year;
- > CANSTAR CANNEX national award for Home & Contents Insurance for the fourth year in a row; and
- > Life Company of the Year and a Service Quality Award in the 2010 Plan for Life Awards for the second consecutive year.

Further information about CommInsure and its products and services is available on www.comminsurance.com.au.

Section 2

Information About the Colonial Group Continued

Other businesses



Sovereign is New Zealand's leading life insurer with a 30.2% risk market share and Inforce Premiums of over NZ\$500 million as at 31 December 2011. It provides personal and business life insurance, health insurance and home loan protection to more than 650,000 customers. Sovereign also provides annuities and other investment products. It does not provide general insurance products.

As at 31 December 2011, Sovereign had a surplus of NZ\$116 million over its solvency requirements.

Further information about Sovereign and its products and services is available on www.sovereign.co.nz.



PT Commonwealth Life is an Indonesian life insurer, providing insurance protection to over 400,000 customers through individual or employer based policies. It has more than 25 branches, providing life, accident and hospitalisation insurance, as well as critical illness protection, loan protection and education and savings products. It does not provide general insurance products. PT Commonwealth Life has recently received a number of industry awards based on its customer service and business performance.

Further information about PT Commonwealth Life and its products and services is available on www.commlife.co.id.

Other businesses and joint ventures

The Issuer also has interests in other specialist businesses and joint ventures but these are not material contributors to profit or the balance sheet.

2.3 Business strategy of the Colonial Group

The Colonial Group is a diversified wealth management and insurance group with significant and leading positions in the funds management, platform, advice and insurance markets. It operates in a number of profitable and fast growing markets that provide growth opportunities for the Commonwealth Bank of Australia.

The strategies of the principal businesses within the Colonial Group have been highlighted in Section 2.2. Overall the Colonial Group has four key priorities:

> Drive sustainable profitable growth within agreed risk parameters

The Colonial Group believes that sustainable, profitable growth is achieved not only through revenue growth, but also utilising the Commonwealth Bank of Australia network, delivering innovative products to the market, being selective in the markets operated in, and the clients and advisers the Colonial Group partners with.

It is also about making constant improvements to productivity and efficiency, managing costs, preserving capital and ensuring that an appropriate risk appetite and culture is in place.

> Get the basics right

'Getting the basics right' doesn't always sound exciting but it is a basic building block to successful execution of business strategy. Getting the basics right means doing things right the first time so for example, when there are errors or omissions, the Colonial Group can identify and rectify them.

Technological and operational excellence remains a key focus for the Colonial Group with continued efforts to embed 'continuous improvement' principles and operations, optimise processes and support over 50 active process excellence projects delivering benefits for customers.

> Provide excellent customer service

The Colonial Group is committed to positively contributing to the Commonwealth Bank of Australia's goal of being number one in customer satisfaction and continues to take action to lift performance around each of the drivers of customer satisfaction.

As an integral part of what the Colonial Group does, strategic initiatives are designed with the customer in mind and the Colonial Group will continue to deliver solutions to meet their evolving needs and strive to provide satisfaction in every interaction. The Colonial Group's businesses consistently win awards and receive recognition for their service excellence and delivering best in class products.

> Attract, grow and retain talent

People are a critical driver for the success of all the Colonial Group's businesses and attracting, developing and retaining talent is one of the Colonial Group's most important priorities.

The Colonial Group believes that the best staff retention strategy is to offer people interesting work and appropriate accountability and empowerment, supported by quality coaching and motivating reward and recognition structures.

2.4 Directors of the Issuer



**Michael Venter,
Chairman**

Michael has been a Director of the Issuer since August 2006.

Michael was appointed Chief Financial Officer of the Colonial Group in August 2011. Prior to that appointment, Michael was Deputy Chief Financial Officer of the Commonwealth Bank of Australia.

Prior to joining the Commonwealth Bank of Australia, Michael was Head of Group Management Reporting at AMP and held a number of senior finance executive roles within Nedcor Bank, one of the major South African banks.

Michael has an Honours degree in Accounting from the University of Stellenbosch in South Africa and is a Member of the Institute of Chartered Accountants in Australia.

External directorships: Nil



**Lyn Cobley,
Non-Executive Director**

Lyn has been a Director of the Issuer since June 2007.

Lyn has been the Group Treasurer of the Commonwealth Bank of Australia since 2007. In this role, she has responsibility for the bank's balance sheet management encompassing all funding and liquidity operations, capital management and asset-liability management activities.

Prior to joining the Commonwealth Bank of Australia, Lyn spent over 20 years working in the Australian financial markets obtaining extensive experience in investment banking, structured finance and treasury operations.

Lyn has a Bachelor of Economics from Macquarie University, is a Senior Associate of the Financial Services Institute of Australasia and a Member of the Australian Institute of Company Directors.

External directorships: Nil



**John Hatton,
Non-Executive Director**

John has been a Director of the Issuer since December 2001.

John has been the Company Secretary of the Commonwealth Bank of Australia since 1994. In this role, he has responsibility for the secretarial functions of the Commonwealth Bank of Australia and approximately 350 companies in Australia, New Zealand and other jurisdictions.

John has been involved in many significant steps in the development of the Commonwealth Bank of Australia, including the various stages of the privatisation of the Commonwealth Bank of Australia and its merger with Colonial Limited.

John has a Bachelor of Laws from the University of Sydney and is admitted as a solicitor in New South Wales. In addition, John is a Fellow of Chartered Secretaries Australia and a Member of the Australian Institute of Company Directors.

External directorships: Nil



**Warwick Bryan,
Non-Executive Director**

Warwick has been a Director of the Issuer since February 2012.

Warwick has been the Head of Investor Relations for the Commonwealth Bank of Australia since 2005. In this role, he has responsibility for managing the Commonwealth Bank of Australia's relationship with the investment community.

Prior to joining the Commonwealth Bank of Australia, Warwick spent over 20 years working in the investor relations, corporate affairs and government relations areas for a number of major companies across various industries.

Warwick has a Bachelor of Laws (Hons) from the University of Auckland and a Masters of Laws from the University of Virginia. He is a Fellow of the Financial Services Institute of Australasia.

External directorships: Australian Investor Relations Association

The Directors of the Issuer are employees of the Commonwealth Bank of Australia and their role as Director is part of their role as an employee of the Commonwealth Bank of Australia. Therefore, all Directors are remunerated solely in relation to services performed with respect to their employment by the Commonwealth Bank of Australia and no specific amount is paid for the Director role.

Section 2

Information About the Colonial Group Continued

2.5 Management of the businesses of the Colonial Group

The senior managers of the businesses of the Colonial Group include:

- > Annabel Spring, Group Executive Wealth Management – appointed in October 2011. Previously the Head of Group Strategy of the Commonwealth Bank of Australia. Responsible for overseeing the business strategy and performance of Colonial First State, CFSGAM and CommInsure
- > Michael Venter, Chief Financial Officer Wealth Management – appointed in August 2011. Previously the Deputy Chief Financial Officer of the Commonwealth Bank of Australia. Responsible for overseeing the financial strategy of Colonial First State, CFSGAM and CommInsure
- > Brian Bissaker, Chief Executive Officer, Colonial First State – appointed in 2006. Responsible for day to day management of the Colonial First State business
- > Mark Lazberger, Chief Executive Officer, CFSGAM – appointed in 2008. Responsible for day to day management of the CFSGAM business
- > Paul Rayson, Chief Executive Officer, CommInsure – appointed in 2009. Responsible for day to day management of the CommInsure business
- > Peter Taylor, Chief Risk Officer – appointed in 2011. Responsible for the risk management oversight of Colonial First State, CFSGAM and CommInsure, as well as advising on risk strategy, policy and process

2.6 Corporate governance of the Colonial Group

The Colonial Group has a strong corporate governance framework based on CBA Group policies which have been implemented across the Colonial Group.

2.6.1 Constitution

The constitution of the Issuer specifies that:

- > The number of Directors cannot be less than the minimum number required by the Corporations Act, which is currently three directors.
- > Commonwealth Bank of Australia has the right to appoint the Directors and to nominate the chairman of the Board of Directors.

There is no set term of appointment for executive directors. Some regulated subsidiaries of the Issuer are required to have a majority of Directors that are independent. For independent directors, there is an initial set term of two to three years, which may be extended with the approval of the Commonwealth Bank of Australia's Board Performance and Renewal Committee.

2.6.2 Selection of Directors

The Issuer and its subsidiaries follow guidelines setting out the criteria for appointment of Directors which is aimed at creating a Board with the appropriate mix of skills and experience to supervise the Colonial Group's businesses.

The guidelines require the Board of Directors of the Issuer to include a representative from the Commonwealth Bank of Australia's Financial Services function and that all appointments of Directors of the Issuer be approved by the Chief Executive Officer of the Commonwealth Bank of Australia.

2.6.3 Meetings of the Directors and access to information

The Directors have four scheduled meetings a year and whenever a matter arises which requires a meeting.

Directors are entitled to obtain access to documents and information of the Issuer and its subsidiaries and to meet with management. After appropriate consultation, Directors are entitled to seek independent professional advice, at the expense of the Issuer, to assist them to carry out their duties as Directors.

2.6.4 Ethical standards

In accordance with the constitution and the Corporations Act, Directors are required to disclose to the Board of the Issuer any material contract in which they may have an interest. In compliance with section 195 of the Corporations Act, any Director with a material personal interest in a matter being considered by the Board will not be present when the matter is being considered and will not vote on the matter unless approved by the Board of Directors.

All directors, employees and contractors of the CBA Group, including Directors and officers of the Issuer, are at all times prohibited from trading in securities or other relevant financial products issued by the CBA Group or any other entity when in possession of unpublished price-sensitive information. Even in the absence of unpublished price-sensitive information, Directors and other specified persons are only permitted to trade in Ordinary Shares and other relevant financial products over or relating to those shares within certain periods. These periods are notified to specified persons and are typically the 30 days commencing the day after Commonwealth Bank of Australia announces its half year and annual results and the 14 days commencing the day after Commonwealth Bank of Australia's annual general meeting.

2.6.5 Audit arrangements

PricewaterhouseCoopers was appointed as the external auditor of the Commonwealth Bank of Australia and accordingly the Colonial Group at the Commonwealth Bank of Australia's 2007 annual general meeting, effective from the beginning of the 2008 financial year.

The Directors work with the external auditor to meet their responsibility of conducting an objective and independent review of the effectiveness of the external reporting of financial information and internal control environment, as well as obtaining an understanding of the risks which affect the Colonial Group.

2.6.6 Risk management

Risk management policies and tolerances are set by the Board of Directors of the Commonwealth Bank of Australia through the CBA Group's Risk Appetite Statement, and cascaded down to the Colonial Group.

Individual Risk Appetite Statements have been developed across businesses within the Colonial Group.

The Risk Appetite Statement contains details on the risk appetite concept and its three major components: risk culture, risk appetite boundaries and appetite for specific risk types. It fundamentally guides the risk culture, represents a boundary on risk-taking activities and underpins all operational activities within the business as well as the internal view of capital and liquidity requirements.

A Wealth Management Risk Committee (Colonial First State, CFSGAM and CommInsure) provides strategic oversight and direction with respect to the management of all risks (credit, market, liquidity, insurance, operational and strategic risk) affecting the businesses. There are also independent boards and committees as required by respective licences that govern the business. Similar committees oversee Sovereign and PT Commonwealth Life. The Commonwealth Bank of Australia also has a number of functions including Financial Services and Group Risk which provide additional oversight.

Section 2

Information About the Colonial Group Continued

2.6.7 Capital, funding and liquidity management

The Risk Appetite Statement for each business guides the management of the capital, funding and liquidity requirements of the business. In addition, CommInsure is regulated as a life insurer and a general insurer by APRA and satisfies APRA's capital and liquidity requirements.

The Issuer is the only provider of capital to the businesses and the main lender to the businesses. A wholly-owned subsidiary of the Issuer, Colonial Finance Limited, borrows Colonial Finance Senior Debt and on-lends it to the Issuer who then on-lends it to the businesses. Therefore, the Issuer is significantly involved in the capital, funding and liquidity management of the businesses.

The Commonwealth Bank of Australia also has a number of functions including Group Treasury which provide additional oversight.

2.7 Financial information about the Issuer

You should focus on the financial position of the Issuer when deciding to invest in Colonial Group Subordinated Notes.

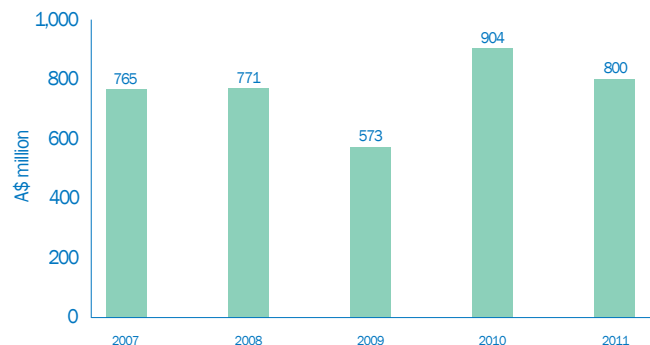
The Issuer's consolidated income statements and balance sheets for the full years ended 30 June 2010 and 30 June 2011, and half years ended 31 December 2010 and 31 December 2011, are summarised in Sections 2.7.2 "Colonial Holding Company Limited (Issuer) Consolidated Income Statement" and 2.7.3 "Colonial Holding Company Limited (Issuer) Consolidated Balance Sheet". The full consolidated financial reports for the full years ended 30 June 2010 and 30 June 2011 can be obtained from www.comsec.com.au during the Offer Period and from the Shareholder Centre at www.commbank.com.au after the Issue Date. The Issuer's financial reports prepared in the future will be available from the Shareholder Centre at www.commbank.com.au.

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 prepared in accordance with the Corporations Act. Further detail on key accounting policies for the Colonial Group can be found in the financial report for the Commonwealth Bank of Australia, which can be obtained from the Shareholder Centre at www.commbank.com.au.

The Commonwealth Bank of Australia also publishes half-yearly and annual financial reports which include a business review and financial information about the Colonial Group's businesses. The section entitled "Wealth Management" covers the Colonial First State, CFSGAM and CommInsure businesses and commentary about non-Australian businesses such as Sovereign and PT Commonwealth Life can be obtained from the sections entitled "New Zealand" and "Other Divisions". The Commonwealth Bank of Australia's most recent financial report was for the half year ended 31 December 2011 which can be obtained from the Shareholder Centre at www.commbank.com.au.

It should be noted that, while the Colonial Group is wholly-owned by the Commonwealth Bank of Australia, Colonial Group Subordinated Notes and the obligations of the Issuer are not guaranteed by the Commonwealth Bank of Australia. Other information in the financial reports of the Commonwealth Bank of Australia which does not directly relate to the Colonial Group is not relevant to an investment in Colonial Group Subordinated Notes.

Issuer's net profit after tax over the last five years – year ended 30 June



2.7.1 Explanation of the Issuer's revenue model

The Issuer is the holding company of the Colonial Group and its revenue and performance is dependent on the revenue and performance of its subsidiaries who pay dividends to the Issuer. Therefore, the ability of the Issuer to pay Interest and repay the Face Value is dependent on the revenue and performance of its subsidiaries.

The Issuer's principal businesses earn revenue in the following ways:

> Colonial First State

Colonial First State provides advice to customers and earns fees for that advice. The platform business typically earns fees based on the level of FUA. From 1 July 2012, under the Australian Government's proposed Future of Financial Advice (FOFA) reforms, financial advisers are not allowed to receive commissions in relation to managed investments and superannuation products. Past performance includes upfront commissions which are no longer allowed under the proposed FOFA reforms. Colonial First State has already made a significant step towards enabling FOFA compliance on commissions. In April 2011 the investment minimums on FirstChoice Wholesale, Colonial First State's flagship super and investment platform, were significantly reduced, thus giving access to the vast majority of retail clients. FirstChoice Wholesale is an industry leading, low cost, no commission product which is compliant with the proposed FOFA regulation of commission payments to advisers.

> CFSGAM

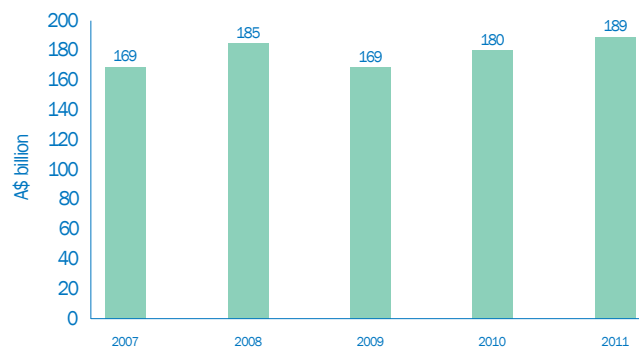
CFSGAM manages the assets of a number of funds and investment mandates. It earns periodic fees payable from the FUM of the relevant fund. The fees may be payable upon initial investment in the fund, upon withdrawal, or for ongoing management. Ongoing management fees are usually based on the level of FUM and may consist of a base fee together with a performance fee if certain performance hurdles are met.

> Commlnsure, Sovereign and PT Commonwealth Life

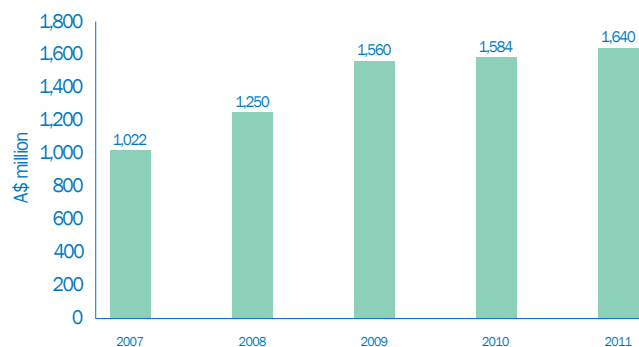
As insurers, Commlnsure, Sovereign and PT Commonwealth Life earn premiums in relation to insurance policies they provide to customers. Risks insured are priced such that premiums earned should exceed the cost of claims, underwriting and maintaining the business, and earn an appropriate return on capital. Capital held to support the liabilities is invested prudently, the businesses do not plan to rely on investment earnings to subsidise underwriting losses. In addition to its insurance business, Commlnsure and Sovereign have large legacy investment businesses, which remains profitable but are largely closed to new business.

References in this Prospectus to Inforce Premiums relate to the annualised premiums payable on insurance policies which are in force (ie, which have not been cancelled or expired).

FUA over the last five years – as at 30 June (Colonial First State and CFSGAM)



Inforce Premiums over the last five years (Commlnsure) – as at 30 June



Section 2

Information About the Colonial Group Continued

2.7.2 Colonial Holding Company Limited (Issuer)

Consolidated Income Statement

	Full year to 30 June 2011 (Reviewed) A\$M	Full year to 30 June 2010 (Reviewed) A\$M
Revenue		
Insurance premium revenue	2,172	2,114
Outward reinsurance expense	(265)	(298)
Net insurance premium revenue	1,907	1,816
Fees for life insurance management services	175	200
Investment revenue	1,689	1,890
Fees and commissions	1,740	1,538
Other revenue	79	95
Net revenue	5,590	5,539
Insurance claims expenses		
Insurance claims expenses	1,448	1,640
Reinsurance recoveries revenue	(293)	(303)
Net insurance claims expenses	1,155	1,337
Other expenses		
Financing costs	197	197
Operating expenses	1,956	1,753
Change in life insurance contract liabilities	(62)	(131)
Change in life investment contract liabilities	979	934
Change in reinsurers' share of insurance contract liabilities	20	31
Change in unvested policywriter benefits	41	49
Change in controlled unit trust liabilities	84	62
Total other expenses	3,215	2,895
Net claims and other expenses	4,370	4,232
Profit before income tax	1,220	1,307
Income tax expense/(benefit)	420	403
Profit after income tax	800	904

The above information in this Prospectus includes one minor reclassification of line items in the Consolidated Income Statements for the full years ended 30 June 2010 and 30 June 2011 previously lodged with ASIC. The changes have no impact on the profit or net assets of the Issuer compared to those disclosed in the audited financial statements for the year ended 30 June 2011.

	Half-year to 31 December 2011 (Reviewed) A\$M	Half-year to 31 December 2010 (Reviewed) A\$M
Revenue		
Insurance premium revenue	1,154	1,080
Outward reinsurance expense	(136)	(133)
Net insurance premium revenue	1,018	947
Fees for life insurance management services	85	95
Investment revenue	166	1,077
Fees and commissions	831	863
Other revenue	45	20
Net revenue	2,145	3,002
Insurance claims expenses		
Insurance claims expense	712	685
Reinsurance recoveries revenue	(141)	(132)
Net insurance claims expenses	571	553
Other expenses		
Financing costs	95	100
Operating expenses	1,002	965
Change in life insurance contract liabilities	(6)	(47)
Change in life investment contract liabilities	(74)	702
Change in reinsurers' share of insurance contract liabilities	(11)	17
Change in unvested policywriter benefits	24	21
Change in controlled unit trust liabilities	17	24
Total other expenses	1,047	1,782
Net claims and other expenses	1,618	2,335
Profit before income tax	527	667
Income tax expense/(benefit)	149	236
Profit after income tax	378	431

Section 2

Information About the Colonial Group Continued

2.7.3 Colonial Holding Company Limited (Issuer)

Consolidated Balance Sheet

	As at 30 June 2011 (Reviewed) A\$M	As at 30 June 2010 (Reviewed) A\$M
Assets		
Cash and liquid assets	1,160	1,532
Outstanding premiums	250	221
Current tax assets	23	26
Derivative financial assets	85	69
Property, plant and equipment	30	35
Other receivables	575	500
Financial assets at fair value through profit or loss	17,599	18,177
Investment in associates	45	58
Life insurance contract liabilities ceded under reinsurance	164	188
Deferred tax assets	29	6
Other assets	171	179
Intangible assets	2,747	2,815
Total assets	22,878	23,806
Liabilities		
Payables	961	956
Premiums in advance	235	232
Derivative financial liabilities	15	25
Interest bearing liabilities	2,840	3,138
Current tax liabilities	36	38
Intergroup tax liabilities	183	231
Deferred tax liabilities	233	147
Provisions	222	213
Life insurance contract liabilities	3,086	3,282
Life investment contract liabilities	10,514	11,259
Unvested policyowner benefits	51	50
Controlled unit trusts – minority interests	1,048	778
Total liabilities	19,424	20,349
Net assets	3,454	3,457
Shareholders Equity		
Contributed equity	4,134	4,119
Other contributed equity	277	276
Foreign currency translation reserve	(212)	(71)
Shareholder retained profits	(758)	(878)
Shareholders equity	3,441	3,446
Minority interest in controlled entities	13	11
Total Equity	3,454	3,457

The above information in this Prospectus includes two minor reclassifications of line items in the Consolidated Balance Sheets as at 30 June 2010 and 30 June 2011 previously lodged with ASIC. The changes have no impact on the profit or net assets of the Issuer compared to those disclosed in the audited financial statements for the year ended 30 June 2011.

	As at 31 December 2011 (Reviewed) A\$M	As at 31 December 2010 (Reviewed) A\$M
Assets		
Cash and liquid assets	1,061	1,193
Outstanding premiums	281	226
Current tax assets	38	23
Derivative financial assets	96	116
Property, plant and equipment	30	31
Other receivables	578	594
Financial assets at fair value through profit or loss	16,978	17,656
Investment in associates	101	46
Life insurance contract liabilities ceded under reinsurance	174	168
Deferred tax assets	50	23
Other assets	168	126
Intangible assets	3,057	2,747
Total assets	22,612	22,949
Liabilities		
Payables	876	835
Premiums in advance	259	223
Derivative financial liabilities	19	15
Interest bearing liabilities	2,799	2,786
Current tax liabilities	22	26
Intergroup tax liabilities	220	233
Deferred tax liabilities	236	187
Provisions	204	189
Life insurance contract liabilities	3,072	3,123
Life investment contract liabilities	9,760	10,932
Unvested policyowner benefits	49	44
Controlled unit trusts – minority interests	1,028	851
Total liabilities	18,544	19,444
Net assets	4,068	3,505
Shareholders Equity		
Contributed equity	4,506	4,119
Other contributed equity	277	277
Foreign currency translation reserve	(193)	(208)
Shareholder retained profits	(535)	(695)
Shareholders equity	4,055	3,493
Minority interest in controlled entities	13	12
Total Equity	4,068	3,505

The Issuer's negative shareholder retained profits is mainly due to adjustments made on 1 July 2004 on transition to Australian International Financial Reporting Standards. The adoption of the standards required the Issuer to write off any internally generated gains or goodwill in the value of its subsidiaries, which impacted the level of retained profits. Further information about these adjustments is contained in the Commonwealth Bank of Australia's financial report for the year ended 30 June 2005 at page 82 which can be obtained from the Shareholder Centre at www.commbank.com.au.

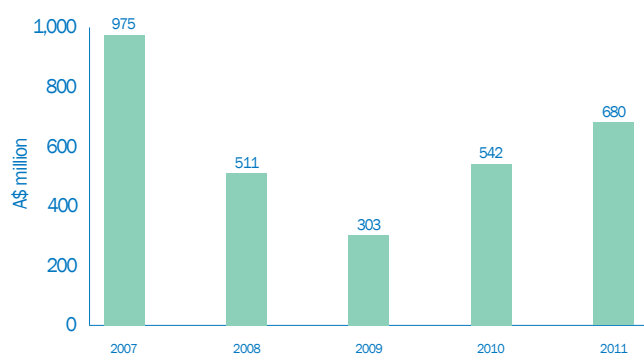
Section 2

Information About the Colonial Group Continued

2.7.4 Payment of ordinary share dividends to the Commonwealth Bank of Australia

Commonwealth Bank of Australia holds all the ordinary and preference shares in the Issuer. It is a CBA Group policy that all subsidiaries should pay a dividend equal to their profit to the Commonwealth Bank of Australia every year, subject to retaining a certain amount of cash for working capital, regulatory and other requirements.

The following chart shows the ordinary and preference share dividends paid by the Issuer to the Commonwealth Bank of Australia in recent years:



2.7.5 Relevant financial ratios

The Issuer believes its strong position in the wealth management and insurance industry provides a relatively high degree of stability in relation to earnings and cashflow. The Issuer generated net cash flow (from operating and investing activities) of A\$795m in the year ended 30 June 2011 (A\$978m in the year ended 30 June 2010).

In addition, the ASIC Guide suggests some financial ratios that may assist you to determine a company's financial capacity to pay interest, and repay the face value, on a bond:

> Gearing ratio

The gearing ratio indicates the extent to which the assets of the Issuer are funded by debt. Generally, a higher gearing ratio indicates a greater use of debt. It is common for companies in the financial services industry, such as the Issuer, to have a higher gearing ratio than companies in other industries because of their different business model.

At 31 December 2011, the Issuer had a gearing ratio of 29.9% which means that, for every A\$1 of assets it had, it funded it by A\$0.70 equity and A\$0.30 debt.

If the gearing ratio is too high, it may indicate that there may be a risk that a company cannot repay the face value of securities it has issued.

The gearing ratio is calculated as net debt/(net debt and total equity). Net debt is defined as interest bearing liabilities, less cash and cash equivalents.

> Interest cover ratio

The interest cover ratio indicates the extent to which the Issuer is able to pay Interest and other financing costs from its earnings. Generally, a lower interest cover ratio indicates a lower ability to pay. It is common for companies in the financial services industry, such as the Issuer, to have a lower interest cover ratio than companies in other industries because of their different business model.

At 31 December 2011, the Issuer had an interest cover ratio of 6.6 which means that, for every A\$1 of financing costs it had to pay, it earned A\$6.60 from which financing costs could be paid.

If the interest cover ratio is too low, it may indicate that there may be a risk that a company cannot pay interest.

The interest cover ratio is calculated as EBITDA/net interest expense. EBITDA is defined as profit before income tax plus financing costs, depreciation and amortisation. Net interest expense is defined as total financing costs.

The Offer will not have a material impact on these ratios as the net proceeds of the Offer will be used by the Issuer to refinance existing debt of the Colonial Group.

	Half year to (annualised)		Full year to	
	31 December 2011 A\$M	31 December 2010 A\$M	30 June 2011 A\$M	30 June 2010 A\$M
Gearing ratio	29.9%	31.2%	32.7%	31.7%
Interest cover ratio	6.6	7.7	7.2	7.7

2.7.6 Financing requirements and debt ranking ahead of Colonial Group Subordinated Notes

The Issuer generally pools the money it borrows and uses it to fund its businesses, including funding the funds management and insurance businesses' working capital requirements and seed funding new initiatives of the funds management business.

A wholly-owned subsidiary of the Issuer, Colonial Finance Limited, borrows Colonial Finance Senior Debt (guaranteed by the Issuer) and on-lends it to the Issuer who then on-lends it to the businesses. The chart in Section 2.7.7 includes the maturities relating to Colonial Finance Senior Debt.

If the Issuer becomes insolvent, Holders' claims will rank after the claims of any unsubordinated creditors (including holders of Colonial Finance Senior Debt and general unsubordinated unsecured creditors), creditors preferred by law and secured creditors.

As at 31 December 2011, the amount of Colonial Finance Senior Debt on issue was A\$1.96 billion, the amount of intra-group borrowings from other subsidiaries of the Issuer that have raised finance from external parties was A\$350 million, and the Issuer's subsidiaries had liabilities that effectively rank ahead of Colonial Group Subordinated Notes including life insurance and investment contract liabilities of A\$12.8 billion (gross of reinsurance). The consolidated assets of the Issuer totalled A\$22.6 billion as at 31 December 2011.

The Issuer could raise more debt at any time.

2.7.7 Impact of the Offer on the Issuer

The net proceeds of the Offer will be used by the Issuer to refinance existing debt of the Colonial Group and may be used to refinance debt owed to Goldman Sachs Australia Pty Limited or an affiliate. Therefore, it will not have a net impact on the Issuer's balance sheet, although it will lengthen the average maturity of the Issuer's total debt. The Offer will not have a material impact on the Issuer's cashflow.

The following pro forma adjustments show the changes that would be made to the Issuer's consolidated balance sheet for the period ended 31 December 2011 assuming the Offer was completed, A\$500 million of Colonial Group Subordinated Notes were issued and issue costs of A\$12 million were incurred, on 31 December 2011.

Colonial Holding Company Limited (Issuer)

Consolidated pro forma Balance Sheet as at 31 December 2011

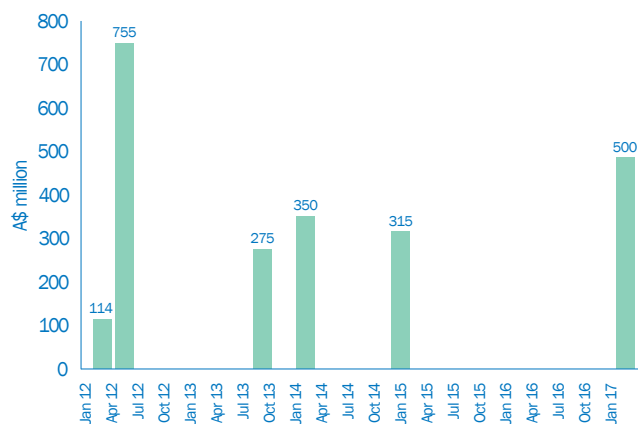
	As Reported (Reviewed) A\$M	Pro forma adjustment A\$M	Pro forma A\$M
Assets			
Cash and liquid assets	1,061		1,061
Outstanding premiums	281		281
Current tax assets	38		38
Derivative financial assets	96		96
Property, plant and equipment	30		30
Other receivables	578		578
Financial assets at fair value through profit or loss	16,978		16,978
Investment in associates	101		101
Life insurance contract liabilities ceded under reinsurance	174		174
Deferred tax assets	50		50
Other assets	168		168
Intangible assets	3,057		3,057
Total assets	22,612		22,612
Liabilities			
Payables	876		876
Premiums in advance	259		259
Derivative financial liabilities	19		19
Interest bearing liabilities – existing	2,799	(488)	2,311
Interest bearing liabilities – Colonial Group Subordinated Notes		488	488
Current tax liabilities	22		22
Intergroup tax liabilities	220		220
Deferred tax liabilities	236		236
Provisions	204		204
Life insurance contract liabilities	3,072		3,072
Life investment contract liabilities	9,760		9,760
Unvested policyowner benefits	49		49
Controlled unit trusts – minority interests	1,028		1,028
Total liabilities	18,544		18,544
Net assets	4,068		4,068
Shareholders Equity			
Contributed equity	4,506		4,506
Other contributed equity	277		277
Foreign currency translation reserve	(193)		(193)
Shareholder retained profits	(535)		(535)
Shareholders equity	4,055		4,055
Minority interest in controlled entities	13		13
Total Equity	4,068		4,068

Section 2

Information About the Colonial Group Continued

The following chart shows the debt maturity profile of the Issuer and its subsidiaries on a consolidated basis as at 31 December 2011 assuming the Offer was completed, A\$500 million of Colonial Group Subordinated Notes were issued and Colonial Group Subordinated Notes mature on the Call Date.

The Colonial Group has a number of debt maturities over the next six months. To the extent that the proceeds of the Offer are not sufficient to refinance these amounts, the Issuer intends to raise money through its normal debt programs including Colonial Finance Senior Debt.



Section 3

Key Risks of Colonial Group Subordinated Notes

3.1 Introduction

3.2 Risks associated with Colonial Group Subordinated Notes specifically

3.3 Risks associated with the Issuer's businesses that may affect Colonial Group Subordinated Notes



Section 3

Key Risks of Colonial Group Subordinated Notes Continued

3.1 Introduction

There are two types of risks which could affect the performance of Colonial Group Subordinated Notes:

- > risks associated with Colonial Group Subordinated Notes specifically; and
- > risks associated with the Issuer's businesses that may affect Colonial Group Subordinated Notes.

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

The risks described in this section are not exhaustive and there may be other risks which may affect the performance of Colonial Group Subordinated Notes.

3.2 Risks associated with Colonial Group Subordinated Notes specifically

3.2.1 Holders of Colonial Group Subordinated Notes are subordinated and unsecured creditors

If the Issuer becomes insolvent, Holders' claims will rank after the claims of any unsubordinated creditors, creditors preferred by law and secured creditors.

Holders' claims will rank equally with Holders of other Colonial Group Subordinated Notes, equally with claims of other subordinated unsecured creditors of the Issuer, and ahead of all holders of ordinary and preference shares of the Issuer (the holder of the ordinary and preference shares of the Issuer is the Commonwealth Bank of Australia).

If, after the claims of unsubordinated creditors, creditors preferred by law and secured creditors are satisfied there are insufficient assets, there is a risk that you may lose some or all of the money you invested in Colonial Group Subordinated Notes.

Further, as your claim is only against the Issuer, it is only recoverable out of the assets of the Issuer, being the Issuer's investments in its subsidiaries. Accordingly, any liabilities of these subsidiaries will effectively rank ahead of your claim in relation to the ability to recover your claim from the assets of those subsidiaries.

3.2.2 Investments in Colonial Group Subordinated Notes are not deposit liabilities or protected accounts under the Banking Act

Investments in Colonial Group Subordinated Notes are not deposit liabilities or protected accounts under the Banking Act. Therefore, Colonial Group Subordinated Notes are not guaranteed or insured by any Australian government, government agency or compensation scheme of Australia.

3.2.3 The Issuer may defer payment of Interest

The Issuer may, in its sole discretion, defer payment of all or any part of an Interest amount. If an Interest amount is deferred, then until it is paid:

- > Interest will accrue on that deferred Interest amount at the Interest Rate for the relevant Interest Period and must be paid when that deferred Interest amount is paid, whether five years after the original Interest Payment Date of the then longest outstanding deferred Interest amount, on the date on which there is any breach by the Issuer of the dividend and capital

restrictions described in the following paragraph, on the Maturity Date or any earlier Redemption Date; and

- > If any deferred Interest (or any Interest on any deferred Interest) is outstanding or any Colonial Group Subordinated Notes are not Redeemed when required under the Terms, the Issuer cannot (without the approval of a Special Resolution):
 - pay a dividend or make any distribution on any ordinary and preference shares of the Issuer. This will prevent the Issuer from paying ordinary and preference share dividends to the Commonwealth Bank of Australia;
 - pay a dividend or interest, or make any distribution on, any security which ranks after Colonial Group Subordinated Notes;
 - pay a dividend or interest, or make any distribution on, other Colonial Group Subordinated Notes or any security which ranks equally with Colonial Group Subordinated Notes; or
 - redeem, reduce, cancel, purchase or buy-back any ordinary and preference shares of the Issuer or any securities which rank equal to, or after, Colonial Group Subordinated Notes, unless all deferred Interest amounts are paid or all Colonial Group Subordinated Notes have been Redeemed (subject to certain limited exceptions).

To prevent these restrictions from continuing, the Issuer may pay the deferred Interest amount at any time (including Interest accumulated on that deferred Interest). In any event, the Issuer must pay all deferred Interest no later than five years after the original Interest Payment Date of the then longest outstanding deferred Interest amount.

Deferral of Interest may be disadvantageous to you from a cashflow timing perspective and may adversely affect the market price of Colonial Group Subordinated Notes.

3.2.4 The Issuer may fail to pay Interest and/or Face Value

Depending upon its performance and financial position, the Issuer may fail to pay some or all of the Interest, or repayment of the Face Value, on Colonial Group Subordinated Notes.

If the Issuer does not pay some or all of the Face Value, this means that you may lose some or all of the money you invested in Colonial Group Subordinated Notes.

Non-payment of Interest is not an event of default under the Terms.

If an event of default (the Issuer is wound-up) occurs and is continuing, the Trustee may declare that all Colonial Group Subordinated Notes are to be Redeemed for their Face Value plus any deferred Interest (including Interest accumulated on that deferred Interest) plus any final Interest payment for the last Interest Period and may make a claim for this amount in the winding-up.

The Trustee can only be required to take enforcement action if it is indemnified to its reasonable satisfaction. There is a risk that, if it was not indemnified or otherwise put in funds to do so, the Trustee would not take enforcement action.

If the Issuer defaults in performing its obligations under the Terms but is not being wound up, the rights of the Trustee and Holders will be limited to taking action to require the Issuer to comply with the specific obligation it has breached.

3.2.5 Colonial Group Subordinated Notes do not mature until 2037

Colonial Group Subordinated Notes do not mature until 31 March 2037. The Issuer has the right to Redeem Colonial Group Subordinated Notes on the Call Date of 31 March 2017 (or any Interest Payment Date after the Call Date), for tax or regulatory reasons, or if a Change of Control Event occurs. However, the Issuer is not required to do so even if a Call Date or one of these events occurs.

As a result, there is a risk that you will not receive repayment of the Face Value before 2037, and there is also a risk that the business, financial position and financial performance of the Issuer will change significantly over this period.

To realise your investment, you can sell your Colonial Group Subordinated Notes on ASX at the prevailing market price. However, depending on market conditions at the time, it is possible that Colonial Group Subordinated Notes may be trading at a market price below the Face Value and/or the market for Colonial Group Subordinated Notes may not be liquid.

3.2.6 The Issuer may Redeem Colonial Group Subordinated Notes if certain events occur

The Issuer has the right to Redeem Colonial Group Subordinated Notes on the Call Date (or any Interest Payment Date after the Call Date), or at any time for tax reasons, regulatory reasons or if a Change of Control Event occurs.

The Issuer has the right to Redeem all (but not some) Colonial Group Subordinated Notes for a regulatory reason. A regulatory reason arises when, at any time after APRA implements its proposals to supervise entities on a Level 3 basis, Colonial Group Subordinated Notes are not or will not be treated as capital of the CBA Group on a Level 3 basis. If implemented, the proposals may apply from 2013.

APRA published a discussion paper on its Level 3 proposals in March 2010. In the discussion paper, APRA proposed an equity equivalent approach to the definition of capital and suggested that this would correspond with Tier 1 capital. If the definition of capital is limited to Tier 1 capital securities, Colonial Group Subordinated Notes would not qualify.

If such a regulatory reason arises, the Issuer may choose to:

- > redeem Colonial Group Subordinated Notes for their Redemption Amount plus an additional amount of A\$1.50 per Colonial Group Subordinated Note;
- > amend the Terms with the consent of Holders to seek to enable Colonial Group Subordinated Notes to qualify as capital. If unsuccessful, the Issuer will either Redeem Colonial Group Subordinated Notes or retain them without amendment; or
- > retain the Colonial Group Subordinated Notes without amendment.

The Issuer will evaluate each of these options, including whether to Redeem for regulatory reasons.

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 Colonial Group Subordinated Notes if you had held them until the Maturity Date, and the timing or occurrence of the Redemption may not coincide with your individual preferences.

3.2.7 Holders do not have a right to request that their Colonial Group Subordinated Notes be Redeemed early

Holders do not have a right to request that their Colonial Group Subordinated Notes be Redeemed early for any reason.

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

3.2.8 The Issuer may raise more debt and issue further securities

The Issuer has the right to raise more debt and issue further securities that:

- > have the same or different dividend, interest or distribution rates as Colonial Group Subordinated Notes;
- > have the same or different maturities as Colonial Group Subordinated Notes;
- > have the same or different terms and conditions as Colonial Group Subordinated Notes; and
- > rank for payment of principal or interest (including on insolvency) after, equally with, or ahead of Colonial Group Subordinated Notes, whether or not secured.

Any issue of further securities may affect your ability to recover Interest or Face Value due to you on an insolvency.

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

A holding of Colonial Group Subordinated Notes does not confer any right to participate in further issues of securities by the Issuer or Commonwealth Bank of Australia. In addition, other entities in the CBA Group may issue securities with the same or different dividend, interest or distribution rates; maturities; or terms and conditions to Colonial Group Subordinated Notes.

It is difficult to anticipate the effect such further debt or issues of securities by the Issuer, Commonwealth Bank of Australia or other CBA Group entities may have on the market price or liquidity of Colonial Group Subordinated Notes.

3.2.9 The Interest Rate will fluctuate

The Interest Rate is a floating rate, equal to the Market Rate plus the fixed Margin. The Market Rate will fluctuate and therefore the Interest Rate will fluctuate. Over the term of Colonial Group Subordinated Notes, the Interest Rate may be lower or higher than the initial Interest Rate on the Issue Date.

If the Interest Rate decreases, there is a risk that the return on Colonial Group Subordinated Notes may become less attractive compared to returns on investments which carry fixed interest rates.

The Issuer does not guarantee any particular rate of return on Colonial Group Subordinated Notes.

Section 3

Key Risks of Colonial Group Subordinated Notes Continued

3.2.10 The market price of Colonial Group Subordinated Notes will fluctuate

The Issuer will apply for quotation of Colonial Group Subordinated Notes on ASX. The market price of Colonial Group Subordinated Notes 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;
- > the performance or financial position of the Issuer;
- > movements in the market price of equity and/or other debt issued by the Issuer or by other issuers;
- > changes in investor perceptions and sentiment in relation to the Issuer or the financial services industry; and
- > other major Australian and international events such as hostilities and tensions, and acts of terrorism.

Colonial Group Subordinated Notes 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.

3.2.11 The liquidity of Colonial Group Subordinated Notes may be low

The market for Colonial Group Subordinated Notes may not be liquid and may be less liquid than that of equity.

If liquidity is low, there is a risk that, if you wish to sell them prior to the Maturity Date, you may not be able to do so at an acceptable price, or at all.

3.2.12 The Issuer may amend the Terms

The Issuer may amend the Terms in two ways:

- > without the consent of Holders but with the approval of the Trustee and subject to compliance with relevant laws – if the amendment is of a formal, technical or minor nature; to correct an error; or to give effect to the listing; or
- > with the consent of Holders – by a Special Resolution being passed.

In both cases, the Terms of all Colonial Group Subordinated Notes will be amended. However, 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.

3.3 Risks associated with the Issuer's businesses that may affect Colonial Group Subordinated Notes

3.3.1 The Colonial Group may be adversely affected by the current disruption to global markets

Global equity and debt markets, particularly in the United States and Europe, have experienced extreme volatility and disruption for more than four years. This has resulted in volatility in interest rates, credit margins, inflation rates and foreign exchange rates, and markets have been generally less liquid.

As a diversified financial institution, the businesses of the Colonial Group may be affected in a number of ways, including:

- > The client assets of Colonial First State and CFSGAM, and the policyholder assets of Commlnsure, Sovereign and PT Commonwealth Life, are invested in a range of investments which are linked to the performance of a number of asset classes, including Australian and international equities, fixed interest, property and infrastructure. Changes in the value of, or income received from, the investments may adversely impact the performance or financial position of these businesses.

Colonial First State and CFSGAM manage market risk by diversifying their presence across a number of asset classes so that fund outflows due to underperformance of particular asset classes can be reinvested in other asset classes with Colonial First State and CFSGAM.

Commlnsure manages market risk by setting strategic asset allocations for policyholder assets that it considers appropriate given the risk profile and nature of its liabilities. Similarly, the market risk borne by shareholder assets is managed by setting strategic asset allocations and use of derivatives as appropriate for risk hedging purposes.

- > The insurance liabilities of Commlnsure and Sovereign are valued using market interest rates. Changes in interest rates may adversely impact the value of these liabilities and the performance or financial position of Commlnsure and Sovereign.
- > The Colonial Group's ability to raise capital and funding at an acceptable price, or at all, may be affected. This may adversely impact its costs, performance, financial position and financial flexibility. It may affect its ability to repay debt and access capital and funding for growth.

The Colonial Group monitors economic, market, industry and company specific developments. However, it is difficult to predict how long these conditions will persist and which economies, markets, industries and companies will be affected.

3.3.2 The Colonial Group may be adversely affected by a downturn in the Australian economy

A significant proportion of the Colonial Group's business is related to Australia. A material downturn in the Australian economy may lead to increased insurance claims, reductions in new business, reduced inflows of investment funds and/or increased outflows for Colonial First State and CFSGAM which can reduce revenues, increase costs and adversely impact the performance or financial position of the Colonial Group. In similar situations in the past, the high profile branding of Colonial First State and CFSGAM has enabled them to better attract and retain investment funds in periods of downturn.

The Colonial Group monitors international, market, industry and company specific developments which may affect the Australian economy and adjusts its businesses to reflect current and expected conditions. However, it is difficult to predict every development that may affect the Australian economy, particularly international developments.

3.3.3 The Colonial Group may be adversely affected by insurance claims

Commlnsure and Sovereign recognise insurance liabilities reflecting claims reported but not paid, and incurred but not reported, as determined by an actuarial assessment, based on assumptions about future claims. Actual claims may differ from the assumptions about future claims due to the actual impact or persistency of pandemics, natural disasters or general economic conditions.

Commlnsure and Sovereign purchase reinsurance to cover certain risks. However, any differences between actual claims and the amount reinsured will affect the performance or financial position of Commlnsure and Sovereign.

3.3.4 The Colonial Group is subject to extensive regulation, which may adversely affect its performance or financial position

The Colonial Group's businesses are affected by the fiscal and other policies (including taxation) that are adopted by the Australian government and governments in other jurisdictions in which the Colonial Group conducts business. In particular, providers and distributors of investment, superannuation, retirement and insurance products and advice are subject to a number of legislative and regulatory requirements. This regulatory regime is complex and currently subject to change such as the Australian Government's current Future of Financial Advice and Stronger Super reforms (primarily affecting Colonial First State and Commlnsure). Globally, reforms such as the US Dodd-Frank Act impact CFSGAM, and the US Foreign Account Tax Compliance Act potentially impacts all of the Colonial Group businesses. These reforms may require the Colonial Group to revise or withdraw its range of products and services; change its premiums, fees and/or charges; incur significant expense to redesign its technology or other systems; retrain staff and planners; or incur other costs.

The Colonial Group's businesses are also subject to regulation in relation to capital requirements. APRA is currently reviewing the application of capital standards to general and life insurers (such as Commlnsure), the superannuation industry and to conglomerate groups which hold banking, wealth management and insurance businesses (such as the Colonial Group as a whole). The Reserve Bank of New Zealand also reviewed the solvency standards for insurers. This may increase the levels of capital and solvency that the Colonial Group's businesses are required to hold, although the businesses may be able to undertake mitigating actions and changes in business strategy to minimise the impact of such increases. In addition, the Basel Committee on Banking Supervision and APRA are currently reviewing the levels of capital and liquidity that they require banks to hold, including for their investments in non-banking businesses.

Any change in government policy or regulation may adversely affect the performance or financial position of the Colonial Group, either on a short-term or long-term basis. The Issuer monitors and assesses the impact of regulatory developments and adjusts its businesses accordingly, as well as participates in consultations between regulators and the industry to reduce unintended adverse consequences where possible. However, it is difficult to predict every development or achieve the outcomes desired by the industry in every situation.

Sovereign Assurance Company Limited, a New Zealand subsidiary of the Issuer, has lodged proceedings in the High Court of New Zealand to challenge assessments from the Inland Revenue Department of New Zealand in relation to the tax treatment of reinsurance arrangements in the 2000 to 2006 tax years. The matter is scheduled to be heard in April 2012. Based on independent advice, the Issuer considers that the tax treatment adopted was correct. However, if the Issuer was not successful in this challenge and the proposed tax treatment was extended to subsequent tax years, the estimated maximum potential tax liability (including use of money interest and excluding penalties) was A\$55 million as at 30 June 2011.

3.3.5 The Colonial Group is subject to operational risks and may incur losses

The Colonial Group's businesses are highly dependent on their ability to process and monitor a very large number of transactions, many of which are complex, across numerous and diverse markets and in many currencies, on a daily basis. The Colonial Group's financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partly outside the Colonial Group's control. This may cause the Colonial Group to incur losses.

In addition, the Colonial Group is exposed to the risk of loss resulting from product complexity and pricing risk; client suitability and servicing risk; incorrect evaluating, recording or accounting for transactions; human error; breaches of the Colonial Group's internal policies and regulations; breaches of security; theft and fraud; and improper business practices.

On 25 October 2011, ASIC accepted an enforceable undertaking from Commonwealth Financial Planning, a subsidiary of the Issuer. The enforceable undertaking pertained to the supervision and monitoring inadequacies in Commonwealth Financial Planning and the resulting need to remediate clients. As a result, some affected clients have received compensation and a number of loss estimates have been provisioned in the Colonial Group's financial statements. However, client remediation across Commonwealth Financial Planning is at varying stages of assessment and completion. If the loss estimates prove to be inadequate, the Issuer could suffer greater than anticipated losses.

The Colonial Group employs a range of risk monitoring and risk mitigation techniques. However, those techniques and the judgments that accompany their use cannot anticipate every risk and outcome or the timing of such outcome.

Section 3

Key Risks of Colonial Group Subordinated Notes Continued

3.3.6 The Colonial Group is subject to intense competition, which may adversely affect its performance

The Colonial Group faces intense competition in all of its businesses and jurisdictions in which it conducts business (typically these businesses hold dominant market share advantages). This may affect profit margins, make businesses unsustainable, result in loss of personnel such as key investment professionals and financial planners, and adversely affect its performance and opportunities for growth.

3.3.7 The Colonial Group may be adversely affected by harm to its reputation

The Colonial Group manages risks relating to legal and regulatory requirements, sales and trading practices, potential conflicts of interest, money laundering laws, foreign exchange controls, trade sanctions laws, privacy laws, ethical issues and conduct by companies in which the Colonial Group holds strategic investments, which may cause harm to its reputation among customers and investors.

In addition, failure to appropriately manage some of these risks could subject the Colonial Group to legal and regulatory enforcement actions, fines and penalties.

3.3.8 The Issuer is a holding company and is dependent on the performance of its subsidiaries

The Issuer is the holding company of the Colonial Group and its performance is dependent on the performance of its subsidiaries which pay dividends to the Issuer. Therefore, the ability of the Issuer to pay Interest and repay the Face Value is dependent on the performance of its subsidiaries. It should be noted that, in addition to repaying the Face Value from its income, the Issuer could potentially borrow additional money to make such a repayment.

3.3.9 Acquisitions of other businesses by the Colonial Group, or change of ownership or control of the Colonial Group, may adversely affect its performance and financial position

From time to time, the Colonial Group evaluates and undertakes acquisitions of other businesses. There is a risk that the Colonial Group may not achieve expected synergies from the acquisition as a result of difficulties in integrating systems and processes, not achieve expected cost savings or otherwise incur losses. This may adversely affect its performance and financial position.

In addition, there is a risk that the Colonial Group may experience disruptions to its existing businesses resulting from difficulties in integrating the systems and processes of the acquired business, and may lose customers and market share. Multiple acquisitions at the same time may exacerbate these risks.

The Colonial Group employs a range of acquisition evaluation, risk monitoring and risk mitigation techniques. However, those techniques and the judgments that accompany their use cannot anticipate every risk and outcome or the timing of such outcome.

It is a future possibility that the Commonwealth Bank of Australia may cease to have 100% ownership and control of the Colonial Group. If Colonial Group Subordinated Notes continue to be on issue following this (because a Change of Control Event is not triggered, or because a Change of Control Event occurs and the Issuer does not choose to Redeem Colonial Group Subordinated Notes but allows the Margin to increase by 2.50%), it is difficult to anticipate the effect, if any, such change in ownership may have on the market price or liquidity of Colonial Group Subordinated Notes. It is possible that it may have an adverse impact on the market price of Colonial Group Subordinated Notes if, for example, the new owner does not have a strong financial profile.

Section 4

Other Information

- 4.1 No material breaches of loan covenants or debt obligations
- 4.2 Other documents relevant to the Offer
- 4.3 Incorporation by reference
- 4.4 Summary of Australian tax consequences for Holders
- 4.5 US Persons
- 4.6 Consents to be named
- 4.7 Interests of Advisers
- 4.8 Interests of Directors
- 4.9 Dealings in Colonial Group Subordinated Notes
- 4.10 Personal information
- 4.11 Governing law
- 4.12 Consent of Directors



Section 4

Other Information Continued

4.1 No material breaches of loan covenants or debt obligations

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

4.2 Other documents relevant to the Offer

4.2.1 Trust Deed

Under the Trust Deed, the Trustee holds certain rights on trust for Holders in relation to the Colonial Group Subordinated Notes. In certain circumstances, the Trustee will act on behalf of Holders such as when an event of default occurs.

A summary of the Trust Deed, and the full Trust Deed, can be obtained from www.commsec.com.au during the Offer Period and from the Shareholder Centre at www.commbank.com.au after the Issue Date.

4.2.2 Financial Statements

The Issuer's full consolidated financial reports for the full years ended 30 June 2010 and 30 June 2011 can be obtained from www.commsec.com.au during the Offer Period and from the Shareholder Centre at www.commbank.com.au after the Issue Date.

4.2.3 Offer Management Agreement

The Arrangers and Bookrunners, and the Joint Lead Managers, have entered into an agreement with the Issuer to manage the Offer. This agreement is called the Offer Management Agreement.

A summary of the Offer Management Agreement can be obtained from www.commsec.com.au during the Offer Period and from the Shareholder Centre at www.commbank.com.au after the Issue Date.

A summary of the fees payable to the Arrangers and Bookrunners, Joint Lead Managers and other Syndicate Brokers is outlined in Section 4.7 "Interests of Advisers".

4.3 Incorporation by reference

The Issuer has lodged a summary of the Trust Deed, the full Trust Deed, extracts from the Issuer's consolidated financial report for the full year ended 30 June 2011 and a summary of the Offer Management Agreement with ASIC and the information in each document is incorporated by reference into this Prospectus. The Issuer will provide a copy of these documents free of charge to any person who requests a copy during the Offer Period.

4.4 Summary of Australian tax consequences for Holders

The following is a summary of the Australian tax consequences under the Tax Act for Australian resident Holders and other non-Australian resident Holders who subscribe for Colonial Group Subordinated Notes under the Offer.

This summary is not exhaustive and you should seek advice from your financial adviser or other professional adviser before deciding to invest in Colonial Group Subordinated Notes. In particular, this summary does not deal with the position of Holders who acquire the Colonial Group Subordinated Notes otherwise than via subscription, who hold Colonial Group Subordinated Notes as part of a business (including as trading stock) or who are otherwise subject to the "taxation of financial arrangements" provisions in Division 230 of the Tax Act.

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.

4.4.1 Interest

(a) Australian resident Holders

Australian resident Holders will be required to include in their assessable income for an income year all Interest amounts referable to Interest Payment Dates falling in that income year. To assist you to complete your tax return, Interest scheduled to be paid for the Interest Period ending 30 June will include Interest payable up to (and including) 30 June and, if 30 June is not a Business Day, will be paid on the immediately preceding Business Day.

However, where Interest is deferred, the income tax consequences depend on the circumstances of the deferral and the individual circumstances of the Holders. Some Holders may be subject to tax on any deferred interest prior to receiving payment. Accordingly, investors should seek income tax advice that is referable to their individual circumstances.

(b) Non-Australian resident Holders

Non-Australian resident Holders will generally be subject to Australian interest withholding tax at the rate of 10% on any Interest they receive, unless an exemption applies. Australian interest withholding tax is a final tax and non-Australian resident Holders should not be subject to any other tax such as income tax in Australia.

The Issuer intends to issue Colonial Group Subordinated Notes in a manner which will satisfy the requirements of section 128F of the Tax Act. If the Issuer satisfies the requirements of section 128F, then payments of Interest will be exempt from Australian interest withholding tax. In such circumstances, non-Australian resident Holders (that are not Offshore Associates as defined in the Terms) should not be subject to interest withholding tax and should not be subject to any other tax such as income tax.

4.4.2 Disposal of Colonial Group Subordinated Notes

(a) Australian resident Holders

On the disposal (including Redemption) of their Colonial Group Subordinated Notes, 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 Colonial Group Subordinated Notes. They may generally include any loss as an allowable deduction in their taxable income in the income tax year in which a disposal occurs. If an Australian resident Holder realises a loss from an off-market disposal of Colonial Group Subordinated Notes they should seek their own advice as to whether a deduction is allowed in their circumstances.

Whilst a capital gains tax event should also occur on the disposal of Colonial Group Subordinated Notes, any such capital gain or capital loss will be disregarded.

(b) Non-Australian resident Holders

Non-Australian resident Holders may be subject to Australian income tax on any gain realised on the disposal of their Colonial Group Subordinated Notes (depending upon whether or not that gain has an Australian source). However, non-Australian resident Holders may be eligible for relief from Australian income tax if those Holders are entitled to the benefit of a double tax agreement between Australia and the non-Australian resident Holder's country of residence (for tax purposes).

4.4.3 Provision of TFN and/or ABN

The Taxation Administration Act 1953 (Cth) imposes withholding tax (currently at the rate of 46.5%) on the payment of interest on certain types of loans or investments, such as the Colonial Group Subordinated Notes.

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

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

If payments of Interest are exempt from Australian interest withholding tax under section 128F of the Tax Act, then non-Australian resident Holders should not be subject to any withholding tax under these rules.

4.4.4 GST

GST is not payable on the issue, receipt, disposal or Redemption of Colonial Group Subordinated Notes.

GST is not payable in relation to payments of Interest, or repayment of the Face Value, by the Issuer.

4.4.5 Stamp duty

No stamp duty should be payable on the issue, receipt, disposal or Redemption of Colonial Group Subordinated Notes.

4.5 US Persons

Colonial Group Subordinated Notes 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 Colonial Group Subordinated Notes 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 Colonial Group Subordinated Notes 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 the Colonial Group Subordinated Notes 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.

4.6 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:

- > each Arranger and Bookrunner;
- > each Joint Lead Manager;
- > each Co-Manager;
- > The Trust Company (Australia) Limited;
- > Freehills;
- > Greenwoods & Freehills Pty Limited; and
- > Link Market Services Limited.

None of the parties have 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.

Section 4

Other Information Continued

4.7 Interests of Advisers

The Issuer will pay to the Arrangers and Bookrunners an aggregate fee of up to A\$2.0 million, based on certain assumptions in relation to the final Offer size and the allocation of Colonial Group Subordinated Notes between the Broker Firm Offer, Customer Offer and General Offer.

The Arrangers and Bookrunners will pay (out of their own fees) the Joint Lead Managers a management fee of 0.50%, and a selling fee of 1.00%, of their Broker Firm Allocation. The Arrangers and Bookrunners will pay the Co-Managers and Participating Brokers a selling fee of 1.00% of their Broker Firm Allocation.

Fees payable by the Issuer to the Arrangers and Bookrunners and by the Arrangers and Bookrunners to the Joint Lead Managers, Co-Managers and Participating Brokers (each a "Syndicate Broker") are exclusive of any GST.

The Arrangers and Bookrunners will pay non-Syndicate Brokers and financial planners in Australia a handling fee of 1.00% of the Application Monies received from Applications accepted in the Customer Offer and General Offer and which include the stamp or adviser code of that broker or financial planner, subject to a cap of \$1,000 per Application. This fee is inclusive of any applicable GST. The Arrangers and Bookrunners reserve the right to aggregate Applications that appear to be multiple Applications from the same Applicant.

The net proceeds of the Offer will be used to refinance existing debt of the Colonial Group and may be used to refinance debt owed to Goldman Sachs Australia Pty Limited or an affiliate.

Freehills is acting as legal adviser to the Issuer in relation to the Offer. In respect of this work, the Issuer estimates that approximately \$350,000 (excluding disbursements and GST) will be payable to Freehills. Further amounts may be paid to Freehills under its normal time based charges.

Greenwoods & Freehills Pty Limited is acting as tax adviser to the Issuer in relation to the Offer. In respect of this work, the Issuer estimates that approximately \$75,000 (excluding disbursements and GST) will be payable to Greenwoods & Freehills Pty Limited. Further amounts may be paid to Greenwoods & Freehills Pty Limited under its normal time based charges.

PwC Securities Ltd is acting as the accounting adviser to the Issuer in relation to the Offer and has performed specific agreed upon procedures relating to certain financial matters disclosed in this Prospectus. The Issuer estimates that approximately \$200,000 (excluding disbursements and GST) will be payable to PwC Securities Ltd in respect of this work. Further amounts may be paid to PwC Securities Ltd under its normal time based charges.

The Trust Company (Australia) Limited is acting as the Trustee and the Issuer will pay to The Trust Company (Australia) Limited fees for performing this role.

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 the Issuer;

> the Offer; or

> any property acquired or proposed to be acquired by the Issuer 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.

4.8 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

> the formation or promotion of the Issuer;

> property acquired or proposed to be acquired by the Issuer in connection with its formation or promotion, or in connection with the Offer; or

> the Offer,

and no amount (whether in cash, Colonial Group Subordinated Notes or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to the Directors for services in connection with the formation or promotion of the Issuer or the Offer.

4.9 Dealings in Colonial Group Subordinated Notes

Subject to applicable legal requirements, the Issuer and other members of the CBA Group (excluding Offshore Associates as defined in the Terms) may subscribe for, purchase or resell Colonial Group Subordinated Notes from time to time.

4.10 Personal information

If you lodge an Application, the Issuer will collect information about you. The Issuer will use this information to process your Application, identify you, administer your Colonial Group Subordinated Notes and keep in touch with you in relation to your Colonial Group Subordinated Notes.

The Issuer 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.

The Issuer 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 CBA Group's products and services.

If you used a financial adviser who recommended your investment in Colonial Group Subordinated Notes (as indicated on your Application Form), the Issuer may disclose details of your holding to that adviser.

The Issuer 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 rules of ASX or if you consent to or request the disclosure.

If you think the Issuer's records of your personal information are incorrect or out of date, you can contact the Issuer 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. The Issuer 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 the Issuer may not be able to process your Application, administer your Colonial Group Subordinated Notes, or make payments to you.

4.11 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.

4.12 Consent of Directors

This Prospectus is authorised by each Director who has consented to its lodgement with ASIC.

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Section 5

How to Apply

How to Apply for Colonial Group Subordinated Notes

- 5.1 Applying for Colonial Group Subordinated Notes
- 5.2 Completing and lodging your Application
- 5.3 Issue and Quotation of Colonial Group Subordinated Notes
- 5.4 Trading and Holding Statements



Section 5

How to Apply Continued

How to apply for Colonial Group Subordinated Notes

5.1 Applying for Colonial Group Subordinated Notes

To apply for Colonial Group Subordinated Notes, you must complete the Application Form attached to the Prospectus or the online Application Form at www.com msec.com.au.

You may apply for Colonial Group Subordinated Notes under:

- > the Broker Firm Offer;
- > the Customer Offer; and
- > the General Offer.

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

5.1.1 Applying under the Broker Firm Offer

The Broker Firm Offer is available to retail investors who are clients of a Syndicate Broker, including Eligible Customers of the Issuer.

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

5.1.2 Applying under the Customer Offer

The Customer Offer is available to Eligible Customers of the Colonial Group.

You are an Eligible Customer if, by the Closing Date, you:

- > have a Colonial First State FirstNet online identity number; or
- > have a CommInsure policy/account number

and have a registered address in Australia. You will also need to meet the conditions outlined in “Restrictions on foreign jurisdictions” on the inside front cover of this Prospectus.

As an Eligible Customer, you may apply for Colonial Group Subordinated Notes under the Customer Offer by either:

- > applying online at www.com msec.com.au, providing your customer number, and following the instructions in relation to payment of your Application Monies;
- > completing the Application Form attached to this Prospectus, providing your customer number, and lodging your Application and accompanying Application Monies with the Registry.

5.1.3 Applying under the General Offer

The General Offer is available to all Applicants who are not applying under the Broker Firm Offer or Customer Offer. You will also need to meet the conditions outlined in “Restrictions on foreign jurisdictions” on the inside front cover of this Prospectus.

You may apply for Colonial Group Subordinated Notes online at www.com msec.com.au. You may also apply by completing the Application Form attached to this Prospectus, and lodging your Application and accompanying Application Monies with the Registry.

5.1.4 Applications by Institutional Investors

If you are an Institutional Investor, you must apply to participate in the Broker Firm Offer by contacting the Arrangers and Bookrunners who will provide additional information about how to Apply. The Issuer reserves the right to not accept Applications that appear to be Applications from Institutional Investors where they have not been received through the Arrangers and Bookrunners.

5.2 Completing and lodging your Application

5.2.1 Minimum Application

The amount you have to pay for each Colonial Group Subordinated Note is A\$100. You must apply for a minimum of 50 Colonial Group Subordinated Notes, which is a minimum investment of A\$5,000. Applications for greater than 50 Colonial Group Subordinated Notes must be in multiples of 10 Colonial Group Subordinated Notes (A\$1,000).

5.2.2 Lodging your Application (if you don't apply online at www.com msec.com.au)

If you are applying under the Broker Firm Offer, you should contact the Syndicate Broker who has offered you a Broker Firm Allocation for information about how and when to lodge your Application. Generally, you will lodge your Application with your Syndicate Broker. The Issuer 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 Customer Offer or the General Offer, you should lodge your Application and accompanying Application Monies with the Registry by mailing or delivering it to:

Mail Address

Colonial Group Subordinated Notes Offer

c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

Delivery Address

Colonial Group Subordinated Notes Offer

c/- Link Market Services Limited
Building A, 1A Homebush Bay Drive
Rhodes NSW 2138
Australia

Application Monies must be paid by cheque and/or money order in Australian dollars drawn on an Australian branch of a financial institution. It should be made payable to “Colonial Group Subordinated Notes Offer Account” and be crossed “not negotiable”.

Applications and Application Monies must be received at one of the above addresses by 5.00pm (Sydney time) on the Closing Date which is expected to be 21 March 2012.

Applications and Application Monies will not be accepted at the Issuer's registered office or at any branch of the Commonwealth Bank of Australia.

5.2.3 No brokerage or stamp duty

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

5.2.4 Allocation policy and refunds

Applications (including Broker Firm Allocations to Syndicate Brokers on behalf of Applicants in the Broker Firm Offer) may be scaled back if there is excess demand for the Offer. If the Issuer does not accept all Applications that it has received for Colonial Group Subordinated Notes, it will give priority to Applications received under the Customer Offer over the General Offer. If your Application is accepted, this does not mean that your Application will be accepted in full as the Issuer reserves the right to scale back your Application.

If you have applied under the Broker Firm Offer, your Syndicate Broker is responsible for determining allocations. The Issuer takes no responsibility for any allocation, scale-back or rejection that is decided by your Syndicate Broker.

Until Colonial Group Subordinated Notes are Issued, the Issuer 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 Colonial Group Subordinated Notes or less than the number of Colonial Group Subordinated Notes you applied for, you will receive a refund cheque 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 the Issuer.

5.3 Issue and Quotation of Colonial Group Subordinated Notes

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

It is expected that Colonial Group Subordinated Notes will be quoted under code "CNGHA".

5.4 Trading and Holding Statements

5.4.1 Commencement of trading of Colonial Group Subordinated Notes on ASX

It is expected that Colonial Group Subordinated Notes will begin trading on ASX on a deferred settlement basis on 29 March 2012. 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 three business days (T+3) basis. The trade is settled on a date specified by ASX.

It is expected that Colonial Group Subordinated Notes will begin trading on ASX on a normal settlement basis on 4 April 2012.

It is your responsibility to determine your holding of Colonial Group Subordinated Notes before trading to avoid the risk of selling Colonial Group Subordinated Notes you do not own. To assist you in determining your holding prior to receipt of a Holding Statement, the Issuer will announce the basis of Allocation by placing advertisements in The Australian, Australian Financial Review, The Sydney Morning Herald and The Age newspapers on the Issue Date which is expected to be 29 March 2012. You should also check your holding by asking your Syndicate Broker or calling the Colonial Group Subordinated Notes Information Line on 1800 427 320 (Monday to Friday 8.00am – 7.30pm, Sydney time) from the Issue Date.

5.4.2 Holding Statements

The Issuer will apply for Colonial Group Subordinated Notes 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 Colonial Group Subordinated Notes changes, you will receive an updated Holding Statement.

5.4.3 Provision of TFN and/or ABN

When your Holding Statement is mailed, you will be also be mailed a form on which to provide your TFN and/or ABN should you wish to do so (see Section 4.4.4 "Provision of TFN and/or ABN").

5.4.4 Provision of bank account details for payments of Interest and Face Value

When your Holding Statement is mailed, you will be also be mailed a form on which to provide your bank account details for payments of Interest and repayment of the Face Value.

5.4.5 US Persons

Restrictions applying to US Persons are outlined in section 4.5 "US Persons".

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Section 6

Glossary



Section 6

Glossary Continued

Term	Meaning
ABN	Australian Business Number
Allocation	The number of Colonial Group Subordinated Notes allocated under this Prospectus to applicants under the Broker Firm Offer, Customer Offer, and General Offer. Allocated has a corresponding meaning
Applicant	A person who lodges an Application Form in accordance with this Prospectus
Application	A valid application for Colonial Group Subordinated Notes made through a completed 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.comsec.com.au upon which an application for Colonial Group Subordinated Notes may be made
Application Monies	The amount payable on each Application, being the Face Value multiplied by the number of Colonial Group Subordinated Notes applied for
APRA	Australian Prudential Regulation Authority
Arrangers and Bookrunners	Goldman Sachs Australia Pty Ltd ABN 21 006 797 897 Commonwealth Bank of Australia ABN 48 123 123 124
ASIC	Australian Securities and Investments Commission
ASIC Guide	The guide published by ASIC entitled "Investing in corporate bonds?"
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 the Issuer from time to time
Australian Financial Services Licence or AFSL	Has the meaning given to that term in the Corporations Act
Banking Act	Banking Act 1959 (Cth)
Board	The board of Directors of the Issuer acting as a board
Bookbuild	The process through which Syndicate Brokers and certain investors bid for an Allocation of Colonial Group Subordinated Notes at different proposed Margin levels under the Broker Firm Offer. The final Margin is set through the Bookbuild process
Broker Firm Allocation	The Allocation allocated to a Syndicate Broker through the Bookbuild process
Broker Firm Offer	The offer as described in Section 5 "How to Apply"
Business Day	Has the meaning given to that term in the ASX Listing Rules
Call Date	31 March 2017
CBA Group	Commonwealth Bank of Australia and its subsidiaries, including the Issuer
CFSGAM	Colonial First State Global Asset Management, the business name for the asset management businesses of the Colonial Group
CHES	Clearing House Electronic Subregister System
Change of Control Event	Has the meaning given in clause 12.2 of the Terms
Closing Date	The closing date for the Offer which is expected to be 21 March 2012
Colonial Finance Senior Debt	Colonial Finance Senior Debt means borrowings and other debt obligations of Colonial Finance Limited, guaranteed by the Issuer
Colonial First State	The business name for the investment, superannuation and retirement products and financial planning (advice) businesses of the Colonial Group
Colonial Group	Colonial Holding Company Limited ABN 61 074 706 782 (Issuer) and its subsidiaries
Colonial Group Subordinated Note	Interest bearing, subordinated, unsecured notes, issued by the Issuer
Co-Managers	Bell Potter Securities Limited, FIIG Securities Limited and Ord Minnett Limited
Commlnsure	The business name for the Colonial Group's life and general insurance businesses in Australia

Term	Meaning
Commonwealth Bank of Australia	Commonwealth Bank of Australia ABN 48 123 123 124
Corporations Act	Corporations Act 2001 (Cth)
Customer Offer	The offer to Eligible Customers of the Colonial Group as described in Section 5 “How to Apply”
Directors	Some or all of the directors of the Issuer acting as a board
Eligible Customer	Customers of the Colonial Group as described in Section 5 “How to Apply”
Face Value	A\$100 per Colonial Group Subordinated Note
Financial Claims Scheme	The Financial Claims Scheme was established by the Australian Government in October 2008. Its purpose is to protect depositors of authorised deposit-taking institutions (banks, building societies and credit unions) and policyholders of general insurers from potential loss due to the failure of these institutions. From 1 February 2012, the guarantee will be provided for up to A\$250,000 deposited per person with each Australian financial institution
FUA	Funds under administration
FUM	Funds under management
General Offer	The offer as described in Section 5 “How to Apply”
GST	Goods and Services Tax
Holder	A registered holder of Colonial Group Subordinated Notes
Holding Statement	A statement issued to Holders by the Registry which sets out the number of Colonial Group Subordinated Notes Issued to that Holder
Inforce Premiums	Annualised premiums payable on insurance policies which are in force (ie, which have not been cancelled or expired)
Institutional Investor	An investor to whom Colonial Group Subordinated Notes 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 the Issuer is willing to comply with), who has been invited by the Arrangers and Bookrunners to bid for Colonial Group Subordinated Notes in the Bookbuild
Interest	Interest payable on each Colonial Group Subordinated Note
Interest Payment Dates	31 March, 30 June, 30 September and 31 December each year until all Colonial Group Subordinated Notes have been Redeemed. If any of these scheduled dates is not a Business Day, then the payment will be made on the next Business Day, unless the scheduled date is 30 June in which case the payment will be made on the immediately preceding Business Day. If a payment is postponed until the next Business Day, there is no adjustment to the amount of Interest payable. The first payment will be made on 29 June 2012
Interest Period	Each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date. However: <ul style="list-style-type: none"> (a) the first Interest Period commences on (and includes) the Issue Date; (b) any Interest Period ending on 30 June in any year ends on (and includes) 30 June; (c) any Interest Period commencing on 30 June in any year commences on (but excludes) 30 June; and (d) the final Interest Period ends on (but excludes) the Redemption Date
Interest Rate	The interest rate (expressed as a percentage per annum): <ul style="list-style-type: none"> (a) for the first Interest Period, the higher of 7.50% and the rate calculated according to the formula in (b) (b) for all other Interest Periods, the Market Rate plus the Margin
Issue	The process of issuing Colonial Group Subordinated Notes to Holders. Issue and Issued have corresponding meanings
Issue Date	The date Colonial Group Subordinated Notes are Issued which is expected to be 29 March 2012

Section 6

Glossary Continued

Term	Meaning
Issuer	Colonial Holding Company Limited (ABN 61 074 706 782), the holding company of the Colonial Group. The Issuer is wholly owned by the Commonwealth Bank of Australia
Joint Lead Managers	Citigroup Global Markets Australia Pty Limited, Commonwealth Bank of Australia, Evans and Partners Pty Limited, Goldman Sachs Australia Pty Limited, The Royal Bank of Scotland plc, Australia branch
Margin	The margin for Colonial Group Subordinated Notes to be determined through the relevant Bookbuild
Market Rate	The rate (expressed as a percentage per annum) which is the average mid-rate for bills for a term of 90 days as displayed on the "BBSW" page of the Reuters Monitor System (or any page that replaces that page) on the first Business Day of the Interest Period
Maturity Date	31 March 2037
Offer	The offer made through this Prospectus by the Issuer of Colonial Group Subordinated Notes to raise \$500 million, with the ability to raise more or less. The offer comprises the Broker Firm Offer, Customer Offer and General Offer
Offer Period	The period from the Opening Date to the Closing Date
Opening Date	The opening date of the Offer which is 24 February 2012
Ordinary Share	A fully paid ordinary share in the Commonwealth Bank of Australia
Participating Brokers	Any participating organisation of ASX selected by the Arrangers and Bookrunners to participate in the Bookbuild
Prospectus	This Prospectus (whether in paper or electronic format) as supplemented or replaced
Record Date	For payment of Interest: <ul style="list-style-type: none"> (a) subject to paragraph (b) below, the date that is eight calendar days prior to the Interest Payment Date (or date for payment of any deferred Interest); or (b) such other date as determined by the Issuer and communicated to ASX or such other date as may be required by ASX
Redemption	The process through which the Issuer repays the Face Value and pays any other amounts due and payable under the Terms. Once the Issuer has repaid and/or paid these amounts, the Issuer's obligations under Colonial Group Subordinated Notes are terminated and the Colonial Group Subordinated Notes are cancelled. Redeem has the corresponding meaning
Redemption Date	The date on which Redemption occurs
Register	The register of Colonial Group Subordinated Notes maintained by the Registry on the Issuer's behalf and including any subregister established and maintained in CHESS
Registry	Link Market Services Limited ABN 54 083 214 537 or any other registry that the Issuer appoints
Shareholder	A registered holder of Ordinary Shares in the Commonwealth Bank of Australia
Special Resolution	Has the meaning given in clause 12.2 of the Terms
Syndicate Broker	Any of the Joint Lead Managers, Co-Managers and Participating Brokers
Tax Act	The Income Tax Assessment Act 1936 (Cth) and Income Tax Assessment Act 1997 (Cth)
Terms	The terms of Colonial Group Subordinated Notes attached as a schedule to the Trust Deed, as set out in Appendix A
TFN	Tax File Number
Trust Deed	The deed entered into between the Issuer and the Trustee dated on or about 15 February 2012
Trustee	The Trust Company (Australia) Limited ACN 000 000 993 or any other trustee that the Issuer appoints
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

Appendix A

Terms of Colonial Group Subordinated Notes



Appendix A

Terms of Colonial Group Subordinated Notes Continued

The following are the Terms which will apply to each Colonial Group Subordinated Note. Each Holder and any person claiming through or under a Holder is entitled to the benefit of, is bound by, and is taken to have notice of, these Terms, the Trust Deed and Prospectus.

1 Form of Colonial Group Subordinated Notes

1.1 Constitution under Trust Deed

Colonial Group Subordinated Notes are subordinated unsecured notes of the Issuer constituted by, and owing under, the Trust Deed.

1.2 Form

Colonial Group Subordinated Notes are issued in registered form by entry in the Register.

1.3 No certificates

No certificates will be issued to Holders unless the Issuer is required to provide certificates by any applicable law or regulation.

1.4 Face Value

Each Colonial Group Subordinated Note is issued fully paid with a principal amount of A\$100 (**Face Value**).

1.5 Currency

Colonial Group Subordinated Notes are denominated in Australian dollars.

1.6 Clearing system

The rights of a person holding an interest in Colonial Group Subordinated Notes registered in CHESS are subject to the rules and regulations of CHESS.

1.7 ASX quotation

The Issuer must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure that Colonial Group Subordinated Notes are quoted on ASX on or as soon as possible after the Issue Date and remain quoted on ASX until Redeemed.

1.8 No other rights

Colonial Group Subordinated Notes confer no rights on a Holder:

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

2 Interest

2.1 Interest

Each Colonial Group Subordinated Note bears Interest on its Face Value during each Interest Period from (and including) the Issue Date to (but excluding) the Redemption Date for that Colonial Group Subordinated Note at the Interest Rate.

Interest on each Colonial Group Subordinated Note under this clause 2.1 accrues daily and, subject to clause 8.3, is payable in arrears on each Interest Payment Date or (in the case of the final Interest Period) on the Redemption Date.

2.2 Interest Rate determination

The Interest Rate (expressed as a percentage per annum) for each Interest Period is:

- (a) for the first Interest Period, the higher of 7.50% per annum and the rate calculated according to the formula in clause 2.2(b); and
- (b) for all other Interest Periods, the rate calculated according to the following formula:

$$\text{Interest Rate} = \text{Market Rate} + \text{Margin}$$

where:

Market Rate means the rate (expressed as a percentage per annum) which is the average mid-rate for Bills for a term of 90 days as displayed on the "BBSW" page of the Reuters Monitor System (or any page that replaces that page) on the first Business Day of the Interest Period. However, if the average mid-rate is not displayed by 10:30 am on that day, or if it is displayed but the Issuer determines that there is a manifest error in that rate,

Market Rate means the rate specified by the Issuer in good faith at or around 10:30 am on that day, having regard, to the extent possible, to:

- (a) the rates otherwise bid and offered for Bills of a term of 90 days at or around that time on that day (including any displayed on the "BBSW" page of the Reuters Monitor System (or its successor or replacement page)); and
- (b) if bid and offer rates for Bills of a term of 90 days are not otherwise available, the rates otherwise bid and offered for funds of a term of 90 days at or around that time on that day;

Bill has the meaning it has in the Bills of Exchange Act 1909 (Cth); and

Margin means, subject to clause 4.8, the rate (expressed as a percentage per annum) determined under the Bookbuild and announced by the Issuer prior to the opening of the Offer.

2.3 Deferral of Interest

The Issuer may, in its sole discretion, defer payment of all or any part of an amount of Interest otherwise payable on an Interest Payment Date until payable under clause 2.5.

Any amount deferred under this clause 2.3 and which remains unpaid will constitute a **Deferred Interest Amount**.

If the Issuer decides to defer payment of an amount of Interest, it must notify the Trustee, the Registry and ASX at least five Business Days prior to the relevant Record Date.

2.4 Interest on Deferred Interest Amounts

Interest accrues daily on each Deferred Interest Amount from (and including) the date on which the Deferred Interest Amount would otherwise have been due to (but excluding) the date on which the Deferred Interest Amount is paid in full.

Interest accrues under this clause 2.4 on each day of an Interest Period at the Interest Rate for that Interest Period and will be added to the Deferred Interest Amount on the last day of that Interest Period unless paid on or before that date. Interest added to or accrued on a Deferred Interest Amount in accordance with this clause 2.4 must be paid with the Deferred Interest Amount in accordance with clause 2.5.

For the avoidance of doubt, Interest added to a Deferred Interest Amount on the last day of an Interest Period in accordance with this clause 2.4 will itself bear Interest in accordance with this clause from (but excluding) that day.

2.5 Payment of Deferred Interest Amounts

Deferred Interest Amounts:

- (a) may be paid by the Issuer in whole or part at any time, following the giving of notice by the Issuer to the Trustee, the Registry and ASX specifying:
 - (i) the proposed Record Date for the payment (which must be not less than seven Business Days after the date of the notice unless otherwise approved by ASX);
 - (ii) the proposed payment date (which must be eight days after the proposed Record Date unless otherwise approved by ASX); and
 - (iii) the Deferred Interest Amounts (and any Interest on the Deferred Interest Amounts) to be paid in respect of each Colonial Group Subordinated Note; and
- (b) must be paid by the Issuer in full on the earliest of the following dates:
 - (i) the date which is five years after the Interest Payment Date on which the then longest outstanding Deferred Interest Amount was originally scheduled to be paid;
 - (ii) the date on which there is any breach of clause 2.6 by the Issuer; and
 - (iii) any Redemption Date.

2.6 Dividend and capital restrictions whilst Deferred Interest Amounts outstanding

If:

- (a) any Deferred Interest Amount (or any Interest on any Deferred Interest Amount) is outstanding or any amount of Interest is otherwise not paid when required under these Terms because of a default in payment by the Issuer and remains outstanding; or
- (b) any Colonial Group Subordinated Notes are not Redeemed when required under these Terms because of a default in payment by the Issuer and the Redemption Amount remains outstanding,

then the Issuer must not without the approval of a Special Resolution pay any interest, declare or pay a dividend or distribution from the income or capital of the Issuer, return any capital or undertake any buy-backs, redemptions or repurchases, in relation to any Equal Ranking Securities or Junior Ranking Securities (**Restricted Actions**) except for:

- (c) pro-rata payments on Colonial Group Subordinated Notes and any Equal Ranking Securities;

- (d) Restricted Actions in connection with an acquisition transaction entered into prior to the date of the earliest notice under clause 2.3 in relation to any of the outstanding Deferred Interest Amounts (or any of the Deferred Interest Amounts to which the outstanding Interest on Deferred Interest Amounts related); and
- (e) Restricted Actions only in the form of, or for a consideration provided by the Issuer only in the form of, securities, warrants, options or other rights where the securities, or the securities issuable upon exercise of the warrants, options or other rights, constitute Equal Ranking Securities (if the Restricted Action relates to Equal Ranking Securities) or Junior Ranking Securities (if the Restricted Action relates to Equal Ranking Securities or Junior Ranking Securities).

3 General provisions applicable to Interest

3.1 Calculation of Interest

The amount of Interest payable on each Colonial Group Subordinated Note for an Interest Period under clause 2.1 is calculated according to the following formula:

$$\text{Interest payable} = \frac{\text{Interest Rate} \times \text{A\$100} \times \text{N}}{365}$$

where:

N means, in respect of an Interest Period, the number of days in that Interest Period.

The amount of Interest accruing on any Deferred Interest Amount under clause 2.4 is calculated assuming a year of 365 days.

3.2 Notification of Interest Rate, Interest payable and other items

The Issuer must notify the Trustee, the Registry and ASX of the Interest Payment Date, the Interest Rate and the amount of Interest payable for each Interest Period.

The Issuer must give notice under this clause 3.2 as soon as practicable after it makes its calculations and by no later than the fourth Business Day of the relevant Interest Period.

The Issuer may amend its calculation or determination of any amount, item or date (or make appropriate alternative arrangements by way of adjustment) as a result of the extension or reduction of the Interest Period or calculation period without prior notice but must notify the Trustee, the Registry and ASX promptly after doing so.

3.3 Determination final

The determination by the Issuer of all amounts, rates and dates falling to be calculated or determined by it under these Terms is, in the absence of wilful default, bad faith or manifest error, final and binding on the Issuer, the Trustee, the Registry and each Holder.

3.4 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%);

Appendix A

Terms of Colonial Group Subordinated Notes Continued

- (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).

4 Redemption and purchase

4.1 Scheduled redemption

Each Colonial Group Subordinated Note must be redeemed by the Issuer paying the Redemption Amount in accordance with clause 8 (**Redemption**) on the Maturity Date unless:

- (a) the Colonial Group Subordinated Note has been previously Redeemed; or
- (b) the Colonial Group Subordinated Note has been purchased by the Issuer and cancelled.

4.2 Early redemption of Colonial Group Subordinated Notes at the option of the Issuer

The Issuer may at its option Redeem all or some Colonial Group Subordinated Notes on the Call Date, or any Interest Payment Date occurring after the Call Date, for their Redemption Amount.

However, the Issuer may only Redeem under this clause 4.2 if the Issuer has given notice of its election to do so at least 30 days (and no more than 60 days) prior to the proposed Redemption Date to the Trustee, the Registry and ASX.

If only some Colonial Group Subordinated Notes are to be Redeemed under this clause 4.2, the Colonial Group Subordinated Notes to be Redeemed will be specified in the notice and selected:

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

4.3 Early redemption of Colonial Group Subordinated Notes for withholding tax reasons

If, as a result of any change in, or amendment to, the laws of a Relevant Tax Jurisdiction, or any change in their application or official or judicial interpretation or administration, which change or amendment becomes effective on or after the Issue Date, the Issuer is or would be required to pay an Additional Amount, the Issuer may Redeem all (but not some) Colonial Group Subordinated Notes before their Maturity Date for their Redemption Amount.

However, the Issuer may only Redeem under this clause 4.3 if:

- (a) the Issuer has given notice of its election to do so at least 30 days (and no more than 60 days) prior to the proposed Redemption Date to the Trustee, the Registry and ASX;
- (b) before the Issuer gives the notice under paragraph (a), the Trustee and Registry have each received a certificate signed by two directors or a director and a secretary of the Issuer stating that the Issuer is entitled to Redeem Colonial Group Subordinated Notes under this clause 4.3 and setting out a statement of the facts showing that the conditions giving rise to the right of the Issuer to Redeem under this clause 4.3 have occurred;
- (c) the proposed Redemption Date is an Interest Payment Date; and

- (d) the notice of Redemption is not given earlier than 90 days before the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay any Additional Amounts.

4.4 Early redemption of Colonial Group Subordinated Notes for loss of tax deductibility

If the Issuer receives an opinion from reputable legal counsel or tax advisers that, as a result of any change in, or amendment to, applicable laws, or any change in their application or official or judicial interpretation or administration, which change or amendment becomes effective on or after the Issue Date, there is a material risk that payment of Interest on a Colonial Group Subordinated Note will not be allowed as a deduction for the purposes of calculating the Australian taxable income of the income tax consolidated group of which the Issuer is a member, the Issuer may Redeem all (but not some) Colonial Group Subordinated Notes before their Maturity Date for their Redemption Amount.

However, the Issuer may only Redeem under this clause 4.4 if:

- (a) the Issuer has given notice of its election to do so at least 30 days (and no more than 60 days) prior to the proposed Redemption Date to the Trustee, the Registry and ASX;
- (b) before the Issuer gives the notice under paragraph (a), the Trustee and the Registry have each received a certificate signed by two directors or a director and a secretary of the Issuer stating that the Issuer is entitled to Redeem Colonial Group Subordinated Notes under this clause 4.4 and setting out a statement of the facts showing that the conditions giving rise to the right of the Issuer to Redeem under this clause 4.4 have occurred;
- (c) the proposed Redemption Date is an Interest Payment Date; and
- (d) the notice of Redemption is not given earlier than 90 days before the Interest Payment Date occurring immediately before the earliest date from which the opinion states there is a material risk that payment of Interest will not be allowed as a deduction for the purposes of calculating the Australian taxable income of the income tax consolidated group of which the Issuer is a member.

4.5 Early redemption of all Colonial Group Subordinated Notes for regulatory reasons

If, at any time after the Level 3 Implementation Date, Colonial Group Subordinated Notes are not or will not be treated as capital of the CBA Group on a Level 3 basis under the Prudential Standards applying to the CBA Group (**Level 3 Capital**), the Issuer may Redeem all (but not some) Colonial Group Subordinated Notes before their Maturity Date for their Redemption Amount plus A\$1.50 per Colonial Group Subordinated Note.

However, the Issuer may only Redeem under this clause 4.5 if:

- (a) the Issuer has given notice of its election to do so at least 30 days (and no more than 60 days) prior to the proposed Redemption Date to the Trustee, the Registry and ASX;
- (b) before the Issuer gives the notice under paragraph (a), the Trustee and the Registry have each received a certificate signed by two directors or a director and a secretary of the Issuer stating that the Issuer is entitled to Redeem Colonial

Group Subordinated Notes under this clause 4.5 and setting out a statement of the facts showing that the conditions giving rise to the right of the Issuer to Redeem under this clause 4.5 have occurred;

- (c) the proposed Redemption Date is an Interest Payment Date; and
- (d) the notice of Redemption is not given earlier than 90 days before the Interest Payment Date occurring immediately before:
 - (i) the Level 3 Implementation Date; or
 - (ii) if issued at a time when Colonial Group Subordinated Notes are treated as Level 3 Capital, the earliest date on which Colonial Group Subordinated Notes will cease to be treated as Level 3 Capital.

4.6 Redemption on a Change of Control Event at the option of the Issuer

If a Change of Control Event occurs, then:

- (a) the Issuer may Redeem all (but not some) Colonial Group Subordinated Notes before their Maturity Date for their Redemption Amount; and
- (b) the Issuer must notify the Trustee, the Registry and ASX:
 - (i) of the occurrence of the Change of Control Event as soon as practicable after becoming aware of the event specifying the date on which the Change of Control Event occurred; and
 - (ii) of its intention (if applicable) to exercise its right to Redeem Colonial Group Subordinated Notes under this clause 4.6 within 20 Business Days of the date on which the Change of Control Event occurred.

However, the Issuer may only Redeem under this clause 4.6 if the notice given under paragraph (b)(ii) indicates that the Issuer intends to Redeem on a proposed Redemption Date which is:

- (c) at least 30 days (and no more than 60 days) after the date the notice is given to the Trustee, the Registry and ASX; and
- (d) no later than 180 days after the occurrence of the Change of Control Event.

4.7 No Redemption at the option of the Holders

Without affecting clause 6.2, Holders do not have a right to request Redemption of their Colonial Group Subordinated Notes at any time.

4.8 Step-up on a Change of Control Event

From (and including) the first Interest Period which commences after the occurrence of a Change of Control Event, the Margin will increase by 2.50% per annum.

4.9 Late Payment

If any Colonial Group Subordinated Notes are Redeemed late because of a default in payment by the Issuer, Interest will continue to accrue on those Colonial Group Subordinated Notes at the rate applicable immediately prior to the Redemption Date until (but excluding) the date on which they are Redeemed.

4.10 Effect of notice of redemption

Any notice of Redemption given under this clause 4 is irrevocable and the Issuer must, subject to clause 8.3, Redeem the relevant Colonial Group Subordinated Notes on the Redemption Date specified in that notice.

4.11 Purchase

- (a) The Issuer, any of its Related Bodies Corporate (as defined in the Corporations Act but excluding any Offshore Associate) or any third party nominated by the Issuer may, at any time, to the extent permitted by any applicable laws and regulations, purchase Colonial Group Subordinated Notes in the open market or otherwise and at any price.
- (b) Colonial Group Subordinated Notes purchased under this clause 4.11 may be held or resold (or, if the purchaser is the Issuer, cancelled) at the option of the purchaser, subject to compliance with any applicable law or requirement of ASX.

4.12 APRA approval to Redeem or purchase

Notwithstanding satisfaction of the applicable conditions giving the Issuer a right to Redeem prior to the Maturity Date, and notwithstanding any right of the Issuer or any member of the CBA Group to purchase any Colonial Group Subordinated Notes, the redemption or purchase may require APRA's prior approval. If any such approval is necessary, the Issuer or other member of the CBA Group (as applicable) must also receive APRA's prior written approval for such Redemption or purchase.

5 Status and ranking

5.1 Status and ranking

- (a) Colonial Group Subordinated Notes constitute unsecured debt obligations of the Issuer which rank equally without any preference among themselves and are subordinated to certain other obligations of the Issuer in the manner specified in these Terms and the Trust Deed.
- (b) The claims of the Trustee and Holders against the Issuer in respect of Colonial Group Subordinated Notes (**Noteholder Claims**) will, in the event of a winding-up of the Issuer, be subordinated and postponed and subject in right of payment to payment in full of the claims of all Senior Creditors.
- (c) The Trustee and each Holder must not, and each is taken to have waived, to the fullest extent permitted by law, any right to prove in a winding-up of the Issuer as a creditor in respect of any Noteholder Claim other than as a claim which is subject to and contingent upon prior payment in full of the claims of Senior Creditors.
- (d) Neither the Trustee nor any Holder may exercise its voting rights (as a creditor in respect of Colonial Group Subordinated Notes) in a winding-up of the Issuer so as to defeat the subordination in this clause 5.
- (e) Neither the Trustee nor any Holder shall be entitled 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 the Issuer in respect of Colonial Group Subordinated Notes held by any Holder.
- (f) For the avoidance of doubt, payments of Interest under these Terms are subject to clause 2.3.

Appendix A

Terms of Colonial Group Subordinated Notes Continued

5.2 Not deposit liabilities or other obligations of CBA

The Issuer is not an ADI and Colonial Group Subordinated Notes do not constitute deposit liabilities, Protected Accounts or other liabilities of CBA or any other ADI in the CBA Group. No member of the CBA Group has any liability for (except in the case of the Issuer) or guarantees Colonial Group Subordinated Notes.

6 Events of Default

6.1 Events of Default

An Event of Default occurs in relation to Colonial Group Subordinated Notes if an order is made (other than an order successfully appealed or permanently stayed within 30 days), or an effective resolution is passed, for the winding-up of the Issuer.

6.2 Consequences of an Event of Default

If an Event of Default occurs and is continuing then, without limiting their other rights under these Terms or the Trust Deed or under applicable laws, the Trustee may (and, if indemnified to its reasonable satisfaction for those costs and expenses it is entitled to be indemnified for, and either directed to do so by a Special Resolution or if requested in writing by Holders of at least 25% of the aggregate Face Value of Colonial Group Subordinated Notes on issue, the Trustee must) declare by notice to the Issuer (with a copy to the Holders and the Registry) that all Colonial Group Subordinated Notes are to be Redeemed for their Redemption Amounts in which case, subject to clause 5, such amounts become immediately due and payable and may be proven in any winding-up.

6.3 Notification

If an Event of Default occurs, the Issuer must, promptly after becoming aware of it, notify the Trustee, the Registry and ASX of the occurrence of the Event of Default (specifying details of it) and use its reasonable endeavours to promptly procure that the Registry notifies the Holders of the occurrence of the Event of Default.

7 Title and transfer of Colonial Group Subordinated Notes

7.1 Title

Title to Colonial Group Subordinated Notes passes when details of the transfer are entered in the Register.

7.2 Effect of entries in Register

Each entry in the Register of a person as the holder of a Colonial Group Subordinated Note constitutes:

- (a) conclusive evidence of that person's:
 - (i) absolute ownership of that Colonial Group Subordinated Note; and
 - (ii) entitlement to the other benefits given to Holders under these Terms and the Trust Deed in respect of Colonial Group Subordinated Notes; and
- (b) an undertaking by the Issuer to pay Interest, the Redemption Amount and any other amount in accordance with these Terms, subject to correction of the Register for fraud or error.

7.3 Non-recognition of interests

Except as required by law, the Issuer, the Trustee and the Registry must treat the person whose name is entered in the Register as the holder of a Colonial Group Subordinated Note as the absolute

owner of that Colonial Subordinated Note. This clause 7.3 applies whether or not a Colonial Group Subordinated Note is overdue and despite any notice of ownership, trust or interest in the Colonial Subordinated Note.

7.4 Joint holders

Where two or more persons are entered in the Register as the joint holders of a Colonial Subordinated Note then they are taken to hold the Colonial Group Subordinated Note as joint tenants with rights of survivorship and subject to the terms of the Trust Deed, but the Registry is not bound to register more than three persons as joint holders of any Colonial Group Subordinated Note.

7.5 Transfers in whole

Colonial Group Subordinated Notes may be transferred in whole but not in part.

7.6 Transfer

A Holder may transfer a Colonial Group Subordinated Notes:

- (a) for so long a Colonial Group Subordinated Notes are registered with CHES, in accordance with the rules and regulations of CHES; or
- (b) at any other time:
 - (i) by a proper transfer under any other computerised or electronic system recognised by the Corporations Act; or
 - (ii) by any proper or sufficient instrument of transfer of marketable securities under applicable law.

The Issuer must not charge any fee on the transfer of Colonial Group Subordinated Notes.

7.7 Stamp Duty

The Holder is responsible for any stamp duty or other similar taxes which are payable in any jurisdiction in connection with the transfer, assignment or other dealing with Colonial Group Subordinated Notes.

7.8 Market obligations

The Issuer must comply with all Applicable Regulations and any other relevant obligations imposed on it in relation to the transfer of Colonial Group Subordinated Notes.

7.9 Delivery of instrument

If an instrument is used to transfer Colonial Group Subordinated Notes according to clause 7.6, it must be delivered to the Registry, together with such evidence (if any) as the Registry reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, Colonial Group Subordinated Notes.

7.10 Refusal to register

The Issuer may only refuse to register a transfer of any Colonial Group Subordinated Notes if permitted by, or if such registration would contravene or is forbidden by Applicable Regulations or the Terms.

If the Issuer refuses to register a transfer, the Issuer 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.

7.11 Transferor to remain Holder until registration

A transferor of Colonial Group Subordinated Notes remains the Holder of Colonial Group Subordinated Notes until the transfer is

registered and the name of the transferee is entered in the Register.

7.12 Effect of transfer

Upon registration and entry of the transferee in the Register the transferor ceases to be entitled to future benefits under these Terms and the Trust Deed in respect of the transferred Colonial Group Subordinated Notes and the transferee becomes so entitled in accordance with clause 7.2.

7.13 Transmission

A person becoming entitled to a Colonial Group Subordinated Note 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 such indemnity and producing such evidence as to that entitlement or status as the Issuer considers sufficient, transfer the Colonial Group Subordinated Note or, if so entitled, become registered as the holder of the Colonial Group Subordinated Note.

8 Payments

8.1 Summary of payment provisions

Payments in respect of Colonial Group Subordinated Notes will, subject to the Trust Deed, be made in accordance with this clause 8.

8.2 Payments subject to law

All payments are subject to applicable law, but without prejudice to the provisions of clause 9.

8.3 Payments on Business Days

If any payment:

- (a) is due on a day (other than 30 June each year) which is not a Business Day, then the due date for payment will be the next Business Day;
- (b) is due on any 30 June which is not a Business Day, then the due date for payment will be the immediately preceding Business Day; or
- (c) 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 first following day on which banks are open for general banking business in that place.

In none of these cases will there be any adjustment to the amount payable by reason of any delay or early payment.

8.4 Payment of Interest

Payments of Interest (other than Interest included in a Redemption Amount) will be made to the person registered at the close of business on the Record Date for that payment as the Holder of that Colonial Group Subordinated Note.

8.5 Payment of Redemption Amount

Payments of the Redemption Amount (and any additional amount payable on Redemption under clause 4.5) will be made to the person registered at 10.00am on the Redemption Date as the Holder of that Colonial Group Subordinated Note.

8.6 Payments to accounts

Monies payable by the Issuer 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 the case of Redemption, by close of business on the fifth Business Day prior to the Redemption Date) or in any other manner the Issuer decides.

8.7 Unsuccessful attempts to pay

If the Holder has not notified the Registry of an account for the purposes of payment under clause 8.6 or the transfer of any amount for crediting the nominated account does not complete for any reason (other than an error made by or on behalf of the Issuer), the Issuer will be treated as having paid the amount on the date on which it would otherwise have made the payment and a notice will be sent to the address most recently notified by the Holder advising of the uncompleted payment. In that case, unless the Issuer decides to complete the payment by another method, the amount of the uncompleted payment will be held on deposit in a non-interest bearing account maintained by the Issuer or the Registry with an ADI until the Holder nominates a suitable Australian dollar account maintained in Australia for crediting with the payment or the claim becomes void under clause 11.1. No additional interest is payable in respect of any delay in payment. The account in which a payment is held under this clause may be used to hold payments due to other holders of Colonial Group Subordinated Notes but for no other purpose.

8.8 Payment to joint Holders

A payment to any one of joint Holders will discharge the Issuer's liability in respect of the payment.

8.9 No set-off, counterclaim or deductions

All payments in respect of Colonial Group Subordinated Notes must be made:

- (a) in full without set-off or counterclaim by the Issuer in respect of claims by the Issuer against the Holders of Colonial Group Subordinated Notes, except as permitted by clause 9.3; and
- (b) without any withholding or deduction in respect of Taxes, unless the withholding or deduction is required by law or permitted by clause 9.3.

9 Taxation

9.1 Withholding tax

Subject to clause 9.2, if a law requires the Issuer to withhold or deduct an amount in respect of Taxes from a payment in respect of a Colonial Group Subordinated Note such that the Holder would not actually receive on the due date the full amount provided for under the Colonial Group Subordinated Note, then:

- (a) the Issuer may deduct the amount for the Taxes (and any further withholding or deduction applicable to any further payment due under paragraph (b) below); and
- (b) if the amount deducted or withheld is in respect of Taxes imposed by a Relevant Tax Jurisdiction, the amount payable is increased so that, after making the deduction and further deductions applicable to additional amounts payable under this clause 9.1, the Holder is entitled to receive (at the time the payment is due) the amount it would have received if no deductions or withholdings had been required to be made.

Appendix A

Terms of Colonial Group Subordinated Notes Continued

9.2 Withholding tax exemptions

No Additional Amounts are payable under clause 9.1(b) in respect of any Colonial Group Subordinated Note:

- (a) to, or to a third party on behalf of, a Holder who is liable to such Taxes in respect of that Colonial Group Subordinated Note by reason of the person having some connection with a Relevant Tax Jurisdiction other than the mere holding of that Colonial Group Subordinated Note or receipt of payment in respect of that Colonial Group Subordinated Note;
- (b) to, or to a third party on behalf of, a Holder who could lawfully avoid (but has not so avoided) such Taxes by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or similar case for exemption to any tax authority;
- (c) to, or to a third party on behalf of, a Holder who is an Offshore Associate and not acting in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Corporations Act;
- (d) to, or to a third party on behalf of, an Australian resident Holder or a non-resident Holder carrying on business in Australia at or through a permanent establishment of the non-resident in Australia, if the Holder has not supplied an appropriate tax file number, an Australian business number or other exemption details;
- (e) to, or to a third party on behalf of, a Holder on account of amounts which the Australian Commissioner of Taxation requires the relevant Issuer to withhold under section 255 of the Income Tax Assessment Act 1936 (Cth) or section 260-5 of Schedule 1 of the Taxation Administration Act 1953 (Cth); or
- (f) if the Taxes have been imposed or levied as a result of the Holder being party to or participating in a scheme to avoid such Taxes, being a scheme which the Issuer was neither a party to nor participated in.

9.3 Tax File Number

The Issuer will deduct tax from payments of Interest on Colonial Group Subordinated Notes 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.

If a Holder supplies exemption details and the Issuer subsequently determines that the relevant exemption was not available, the Issuer 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 Colonial Group Subordinated Notes.

10 Substitution of Issuer

10.1 Conditions for Substitution

Any Related Body Corporate of the Issuer, the obligations of which in respect of Colonial Group Subordinated Notes are guaranteed to the Trustee by CHC on a subordinated basis on the terms specified in the Trust Deed (**Successor**) may, without the consent of the Holders, assume the obligations of the Issuer (or any corporation which has previously assumed the obligations of the Issuer) under and in relation to Colonial Group Subordinated Notes provided that:

- (a) the Successor will expressly assume those obligations by a deed poll substantially in the form of Schedule 2 to the Trust Deed (**Deed Poll**);
- (b) immediately after giving effect to such assumption, no Event of Default, and no event which, on the giving of notice or lapse of time or both, would become an Event of Default, will have occurred;
- (c) the Successor must deliver to the Trustee:
 - (i) a certificate signed by two directors or a director and a secretary of the Successor (**Officer's Certificate**) stating that the assumption and Deed Poll comply with this clause 10, that all required conditions precedent have been satisfied and that the assumption is not in the reasonable opinion of the Issuer materially prejudicial to the interests of the Holders as a whole; and
 - (ii) an opinion from reputable legal counsel of recognised standing in the jurisdiction of incorporation of the Successor and in such other jurisdictions as are relevant, addressed to the Trustee, confirming that the Deed Poll is a legal, valid and binding obligation of the Successor and is enforceable in accordance with its terms;
- (d) the Issuer and the Successor instruct the Registry to notify each Holder; and
- (e) the Issuer has given notice to the Trustee and Holders of the proposed assumption under this clause 10 not less than 10 Business Days before giving effect to such assumption.

10.2 Effect of Substitution

On any such assumption:

- (a) the Successor will assume all of the obligations of, succeed to, and be substituted for, and may exercise every right and power of, the Issuer under these Terms with the same effect as if the Successor had been named as the Issuer in these Terms; and
- (b) the Issuer (or any corporation which has previously assumed the obligations of the Issuer) will be released from its liability as the Issuer under the Terms and the Trust Deed

and, from the date of such assumption:

- (c) references to the Issuer in clauses 2.5(b)(ii), 2.6, 6.1, 7.3 and in the definitions of Change of Control Event, Equal Ranking Securities, Junior Ranking Securities and Senior Creditor in clause 12.2 will be taken to be references to CHC or the Successor; and
- (d) references to the Issuer in any other provisions of these Terms will be taken to be references to the Successor only.

11 General

11.1 Time limit for claims

A claim against the Issuer for a payment under a Colonial Group Subordinated Note is void unless made within five years from the date on which payment became due.

11.2 Voting

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

11.3 Amendments without consent

At any time and from time to time, but subject to compliance with the Corporations Act and all other applicable laws, the Issuer may, with the approval of the Trustee (such approval not to be unreasonably withheld), but without the consent of the Holders, amend these Terms or the Trust Deed if the Issuer is of the opinion that such alteration is:

- (a) of a formal or technical or minor nature;
- (b) made to cure any ambiguity or correct any manifest error;
- (c) necessary or expedient for the purpose of;
 - (i) enabling Colonial Group Subordinated Notes 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; or
 - (ii) complying with the provisions of any statute or the requirements of any statutory authority or the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which the Issuer may propose to seek a listing or quotation of Colonial Group Subordinated Notes; or
 - (iii) correcting or supplementing any defective provision of the Terms or amending any provision of the Trust Deed,

and in the case of any alteration under paragraph (c) the Issuer has provided to the Trustee (or the Trustee has obtained) an opinion of reputable legal counsel of recognised standing in Australia, addressed to the Trustee, that such alteration is otherwise not materially prejudicial to the interests of Holders as a whole.

In this case, the Terms of all Colonial Group Subordinated Notes will be amended from the date specified by the Issuer.

11.4 Amendments with consent

At any time and from time to time, but subject to compliance with the Corporations Act and all other applicable laws, the Issuer may amend these Terms or the Trust Deed with the approval of the Trustee (such approval not to be unreasonably withheld) if such alteration is approved by a Special Resolution.

In this case, the Terms of all Colonial Group Subordinated Notes 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).

11.5 Meaning of amend

In clauses 11.3 and 11.4, **amend** includes modify, cancel, alter or add to and **amendment** has a corresponding meaning.

11.6 Consents

Prior to any amendment under this clause 11 being effected, the Issuer must obtain any consent or approval required under applicable law or regulation or ASX listing rule. In particular, if after the Level 3 Implementation Date, Colonial Group Subordinated Notes are treated as Level 3 Capital, any alteration which impacts on the eligibility of Colonial Group Subordinated Notes for treatment as such capital is subject to the prior written consent of APRA.

11.7 Notices

(a) To Holders

Unless otherwise specified, all notices and other communications to the 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) or (ii) (if available) issued to Holders through CHES in accordance with any applicable rules and regulations of CHES.

A copy of any notice of Redemption provided by the Issuer to the Trustee under the Terms must also be provided to the Holders promptly after the notice was provided by the Issuer to the Trustee.

(b) To the Issuer, Trustee and Registry

All notices and other communications to the Issuer, the Trustee or the Registry must be in writing and may be sent by prepaid post (airmail if appropriate) to or left at the address of the Issuer, the Trustee or the Registry, as applicable.

(c) When effective

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 days after posting (or seven 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 5.00pm in the place of receipt or on a non-Business Day, in which case they are taken to be received at 9.00am on the next Business Day.

11.8 Further issues

The Issuer may from time to time, without the consent of the Holders, issue further notes having the same terms as the Colonial Group Subordinated Notes as set out in these Terms in all respects (or in all respects except for the date and amount of the first payment of interest for such new notes) so as to form part of the same series or issue any other notes, shares or any other form or type of securities, or incur or guarantee any indebtedness upon such terms as it may think fit in its sole discretion.

11.9 Governing law

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

11.10 Jurisdiction

The Issuer 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 courts of appeal 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.

11.11 Waiver of immunity

The Issuer 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 11.10.

12 Interpretation and definitions

12.1 Interpretation

In these Terms, unless the contrary intention appears:

Appendix A

Terms of Colonial Group Subordinated Notes Continued

- (a) a reference to:
- (i) an agreement or instrument includes any variation, supplement, replacement or novation of that agreement or instrument;
 - (ii) a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
 - (iii) a person includes a reference to the person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;
 - (iv) any thing is a reference to the whole and each part of it;
 - (v) one gender includes every other gender;
 - (vi) a document includes all schedules or annexes to it;
 - (vii) a clause or paragraph is to a clause or paragraph of these Terms;
 - (viii) "Australian dollars", "A\$" or "Australian cent" is a reference to the lawful currency of Australia; and
 - (ix) 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 a 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) the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;
- (i) 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;
- (j) any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to the Issuer only if the Issuer is an entity or a subsidiary of an entity subject to regulation and supervision by APRA at the relevant time;
- (k) 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
- (l) any provisions in these Terms requiring the prior approval of APRA for a particular course of action to be taken by the Issuer

do not imply that APRA has given its consent or approval to the particular action as of the Issue Date.

12.2 Definitions

In these Terms, these meanings apply unless the contrary intention appears:

ADI means an "authorised deposit taking institution" (as defined in the Banking Act).

Additional Amount means an additional amount payable by the Issuer under clause 9.1;

Applicable Regulation means such provisions of the ASX Listing Rules, the ASX Settlement Operating Rules, the rules and regulations of CHESSE, the Corporations Act and any regulations or rules pursuant under or pursuant to any such provisions as may be applicable to the transfer;

APRA means the Australian Prudential Regulation Authority;

ASX Settlement Operating Rules means the settlement operating rules of ASX from time to time with any applicable modification or waiver granted by ASX;

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;

Australian Tax Act means the Income Tax Assessment Act 1936 (Cth) and, where applicable, the Income Tax Assessment Act 1997 (Cth);

Banking Act means the Banking Act 1959 (Cth);

Bookbuild means the process conducted prior to the opening of the Offer whereby brokers and investors bid for Colonial Group Subordinated Notes at different proposed Margin levels and, on the basis of those bids, the Issuer sets the final Margin and announces its determination of the Margin prior to the opening of the Offer;

Business Day means a day which is (i) a business day within the meaning of the ASX Listing Rules, and (ii) (for the purposes of payment or calculation of Interest) a date on which banks are open for general business in Sydney;

Call Date means 31 March 2017;

CBA means Commonwealth Bank of Australia (ABN 48 123 123 124);

CBA Group means CBA (or any NOHC that is the holding company of CBA) and its subsidiaries (as defined in the Corporations Act);

a **Change of Control Event** occurs at the time that:

- (a) the Issuer ceases to be a member of the CBA Group; or
- (b) at any time the Issuer is a member of the CBA Group, any person obtains voting power (as that term is defined in section 610 of the Corporations Act) in the holding company of the CBA Group of more than 50% and any agreement, arrangement or understanding under which voting power arises is not subject to a defeating condition or a condition that a resolution under item 7 in the table in section 611 is passed,

unless paragraph (b) in this definition is satisfied solely as a consequence of a scheme of arrangement under part 5.1 of the Corporations Act between CBA and holders of its ordinary shares or an analogous transaction which, when implemented, will result in a NOHC (the majority of the ordinary shares in which are, or

immediately after implementation of the transaction will be, owned by persons who held, immediately before implementation of the transaction, a majority of the ordinary shares in CBA) becoming the holding company of CBA, in which case no Change of Control Event occurs at that time;

CHC means Colonial Holding Company Limited (ABN 61 074 706 782);

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532) or any successor or other clearing or settlement system specified by the Issuer;

Colonial Group Subordinated Note means a debt obligation denominated in Australian dollars and issued, or to be issued, by the Issuer which is constituted by, and owing under, the Trust Deed, the details of which are recorded in, and evidenced by, entry in the Register;

Corporations Act means the Corporations Act 2001 (Cth);

Costs includes costs, charges and expenses;

Deferred Interest Amount has the meaning given in clause 2.3 and, unless the context indicates otherwise, includes any part of a Deferred Interest Amount;

Equal Ranking Securities means all present and future subordinated unsecured debts and monetary obligations of the Issuer other than Junior Ranking Securities;

Event of Default means the happening of any event set out in clause 6.1;

Face Value means the principal amount of each Colonial Group Subordinated Note, as set out in clause 1.4 of these Terms;

Holder means, in respect of a Colonial Group Subordinated Note, means the person whose name is entered on the Register as the holder of that Colonial Group Subordinated Note;

Interest means interest payable on a Colonial Group Subordinated Note under these Terms, including any interest accrued under clause 2.1, any Deferred Interest Amounts and any interest accrued on Deferred Interest Amounts under clause 2.4;

Interest Payment Date means, in respect of a Colonial Group Subordinated Note, 31 March, 30 June, 30 September and 31 December each year until all Colonial Group Subordinated Notes have been Redeemed. If any of these Interest Payment Dates is not a Business Day, then the payment will be made in accordance with clause 8.3. The first payment will be made on 29 June 2012;

Interest Period means, for a Colonial Group Subordinated Note, each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date. However:

- (a) the first Interest Period commences on (and includes) the Issue Date;
- (b) any Interest Period ending on 30 June in any year ends on (and includes) 30 June;

(c) any Interest Period commencing on 30 June in any year commences on (but excludes) 30 June; and

(d) the final Interest Period ends on (but excludes) the Redemption Date;

Interest Rate means, in respect of an Interest Period, for a Colonial Group Subordinated Note, the interest rate (expressed as a percentage per annum) payable in respect of that Colonial Group Subordinated Note calculated or determined in accordance with clause 2.2;

Issue Date means, in respect of a Colonial Group Subordinated Note, the date on which that Colonial Subordinated Note is issued;

Issuer means (subject to clause 10.2) Colonial Holding Company Limited (ABN 61 074 706 782);

Junior Ranking Securities means:

(a) all present and future subordinated unsecured debts and monetary obligations of the Issuer which rank, or are expressed to rank, after Colonial Group Subordinated Notes or the Issuer's obligations in respect of the Colonial Group Subordinated Notes; and

(b) all ordinary and other shares in the Issuer, present and future;

Level 3 Capital has the meaning given in clause 4.5;

Level 3 Implementation Date means the date from which the CBA Group becomes subject to requirements to maintain a minimum amount of capital measured on a Level 3 or conglomerate group basis under the Prudential Standards applying to the CBA Group.

Margin has the meaning given in clause 2.2;

Market Rate has the meaning given in clause 2.2;

Maturity Date means 31 March 2037;

Meeting Provisions means the provisions for meetings of the Holders set out in schedule 3 to the Trust Deed;

NOHC means "non-operating holding company" within the meaning of the Banking Act;

Offer means the invitation under the Prospectus made by the Issuer for persons to subscribe for Colonial Group Subordinated Notes;

Offshore Associate means an associate (as defined in section 128F of the Australian Tax Act) of the Issuer that is either:

- (a) a non-resident of Australia which does not acquire Colonial Group Subordinated Notes in carrying on a business at or through a permanent establishment in Australia; or
- (b) a resident of Australia that acquires Colonial Group Subordinated Notes in carrying on a business at or through a permanent establishment outside Australia;

Ordinary Resolution

(a) a resolution passed at a meeting of the Holders duly called and held under the Meeting Provisions:

- (i) by at least 50% of the persons voting on that matter on a show of hands (unless paragraph (b) below applies); or

Appendix A

Terms of Colonial Group Subordinated Notes Continued

(ii) if a poll is duly demanded, by a majority consisting of at least 50% of the votes cast; or

(b) a resolution passed by postal ballot or written resolution, by Holders of at least 50% of aggregate Face Value of Colonial Group Subordinated Notes then outstanding;

Prospectus means the prospectus dated on or about 15 February 2012;

Protected Account means a protected account as defined in the Banking Act;

Prudential Standards means the prudential standards and guidelines of APRA as applied to the CBA Group from time to time;

Record Date means, for payment of Interest:

(a) subject to paragraph (b) below, the date that is eight calendar days prior to the relevant Interest Payment Date or the date for payment of any Deferred Interest Amount (as applicable); or

(b) such other date as determined by the Issuer in its absolute discretion and communicated to ASX not less than eight calendar days before the Record Date which would have been determined under paragraph (a) above,

or such other date as may be required by, or agreed with, ASX;

Redemption means the redemption of a Colonial Group Subordinated Note as defined in clause 4.1 and the words

Redeem, **Redeemable** and **Redeemed** bear their corresponding meanings;

Redemption Amount means, in respect of each Colonial Group Subordinated Note, the sum of the Face Value and any Interest (including Deferred Interest Amounts and Interest on Deferred Interest Amounts) payable on Redemption of Colonial Group Subordinated Notes;

Redemption Date means, in respect of a Colonial Group Subordinated Note, the Maturity Date or any earlier date specified by the Issuer as the Redemption Date in accordance with clause 4 or on which the Colonial Group Subordinated Note is required to be Redeemed under clause 6.2;

Register means the register of Holders (established and maintained under clause 12 of the Trust Deed) and, where appropriate, the term Register includes:

(a) a sub-register maintained by or for the Issuer in CHESS; and

(b) any branch register;

Registry means Link Market Services Limited (ABN 54 083 214 537) or any other person appointed by the Issuer to maintain the Register and perform any payment and other duties as specified in that agreement;

Related Body Corporate has the meaning given in the Corporations Act;

Relevant Tax Jurisdiction means Australia or any relevant political sub-division;

Senior Creditor means a creditor of the Issuer other than as the holder (or trustee for the holders) of a Colonial Group Subordinated Note, an Equal Ranking Security or a Junior Ranking Security.

Special Resolution means:

(a) a resolution passed at a meeting of the Holders duly called and held under the Meeting Provisions:

(i) by at least 75% of the persons voting on that matter on a show of hands (unless paragraph (b) below applies); or

(ii) if a poll is duly demanded, by a majority consisting of 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 aggregate Face Value of Colonial Group Subordinated Notes then outstanding;

Taxes means taxes, levies, imposts, charges and duties (including stamp and transaction duties) imposed by any authority together with any related interest, penalties, fines and expenses in connection with them, except if imposed on, or calculated having regard to, the net income of the Holder;

Terms means, in relation to Colonial Group Subordinated Notes, these terms and conditions of issue, as set out in schedule 1 to the Trust Deed;

Trustee means The Trust Company (Australia) Limited (ACN 000 000 993); and

Trust Deed means the deed entitled "Colonial Group Subordinated Notes Trust Deed" between the Issuer and the Trustee and dated on or about 15 February 2012.

Corporate Directory

Registered Office of the Issuer

Colonial Holding Company Limited
Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000

Arrangers and Bookrunners

Goldman Sachs Australia Pty Limited
Level 42, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Commonwealth Bank of Australia
Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000

Joint Lead Managers

Citigroup Global Markets Australia Pty Ltd
Level 40, Citigroup Centre
2 Park Street
Sydney NSW 2000

Commonwealth Bank of Australia
Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000

Evans and Partners Pty Limited
32 Jolimont Terrace
East Melbourne VIC 3002

Goldman Sachs Australia Pty Limited
Level 42, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

The Royal Bank of Scotland plc, Australia branch
Level 22, RBS Tower
88 Phillip Street
Sydney NSW 2000

Co-Managers

Bell Potter Securities Limited
Level 33, Aurora Place
88 Phillip Street
Sydney NSW 2000

FIIG Securities Limited
Level 8, Emirates House
167 Eagle Street
Brisbane QLD 4000

Ord Minnett Limited
Level 8, 255 George Street
Sydney NSW 2000

Trustee

The Trust Company (Australia) Limited
Level 15, 20 Bond Street
Sydney NSW 2000

Legal Adviser

Freehills
MLC Centre
19-29 Martin Place
Sydney NSW 2000

Tax Adviser

Greenwoods & Freehills Pty Limited
MLC Centre
19-29 Martin Place
Sydney NSW 2000

Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Colonial Group Subordinated Notes Information Line

1800 427 320 (Monday to Friday 8.00am – 7.30pm, Sydney time)



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