Australian Government

Australian Office of Financial Management

INFORMATION MEMORANDUM

TREASURY INDEXED BONDS - MONTHLY INFLATION

DESCRIPTION

Treasury Indexed Bonds – monthly inflation ("**TIBSmi**") are capital-indexed bonds with the capital value of the investment adjusted by reference to movement in the Consumer Price Index ("**CPI**"). TIBSmi are denominated in Australian Dollars with coupon interest payable semi-annually in arrear. Coupon interest payments are at a fixed rate, on the Adjusted Capital Value. TIBSmi are redeemable at the Adjusted Capital Value on maturity.

ISSUER

The Commonwealth of Australia.

30 October 2026

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1. IMPORTANT INFORMATION

Terms used in this Information Memorandum have the meaning given to them in section 11 (*Glossary of Terms*) below.

1.1. DESCRIPTION

TIBSmi are capital-indexed bonds with the capital value of the investment adjusted by reference to movement in the CPI. TIBSmi are denominated in Australian Dollars with coupon interest payable semi-annually in arrear. Coupon Interest Payments are at a fixed rate, on the Adjusted Capital Value – being the capital value as adjusted for movement in the CPI over the life of the TIBSmi. At maturity, Bondholders will receive the Adjusted Capital Value of the TIBSmi.

1.2. ISSUER

The issuer is the Commonwealth.

1.3. AUTHORITY TO ISSUE

Section 4 of the Inscribed Stock Act provides for the creation of TIBSmi for the raising of money by way of loan. TIBSmi are issued in accordance with section 3A of the Inscribed Stock Act and other Acts containing specific borrowing authority.

TIBSmi are issued in such amounts and in such a manner as the Treasurer directs. The Treasurer has authorised certain officers of the AOFM to exercise this power on the Treasurer's behalf.

The AOFM is the Australian Government agency responsible for the management and administration of TIBSmi.

In accordance with section 13AA of the Inscribed Stock Act, principal money secured by any stock and interest on that principal (if any) shall be payable out of the Consolidated Revenue Fund of the Commonwealth, which is appropriated to the extent necessary for such payments.

1.4. FORM OF TIBSMI

TIBSmi will be issued on the terms and conditions set out in this Information Memorandum. Subject to these terms and conditions, TIBSmi may be issued from time to time by tender, by syndicated offering or by any other method deemed appropriate. Other methods of issue are referred to in section 5 (*Other Methods of Issue*) below.

TIBSmi shall be issued with a notional Face Value of $1,000 for issue and trading purposes provided that the minimum aggregate amount issued to any Person shall be $1,000,000 and in multiples of $1,000,000 thereafter. The Commonwealth expects that the TIBSmi will be lodged into and traded in the Austraclear System in accordance with the Austraclear System Regulations. For the purposes of all calculations, the Face Value will be $100.

TIBSmi will be governed by the laws of the Australian Capital Territory.

1.5. REGISTRAR

The Registrar is Computershare Investor Services Pty Limited (ABN 48 078 279 277).

The Commonwealth reserves the right to appoint another Person as its Registrar and/or paying agent, or for the AOFM to perform those functions. In such circumstances, Bondholders will be given notice of any such change promptly after it takes effect.

1.6. CURRENCY OF INFORMATION

The information in this Information Memorandum is correct and complete as at the Effective Date. The distribution of this Information Memorandum or any offer or issue of TIBSmi after the Effective Date does not imply that there has been no change since that date in the affairs or financial condition of the Commonwealth or any other relevant Person or entity, or that the information in this Information Memorandum is correct at any time after the Effective Date.

This Information Memorandum may be withdrawn, supplemented, modified or replaced (including by an Issue Supplement) by the Commonwealth at any time. Any Series of TIBSmi will be taken to be issued on the basis of the Information Memorandum that is in effect as at the date of issue of such Series of TIBSmi and those terms will continue to apply in relation to that Series of TIBSmi except to the extent that the Information Memorandum is subsequently amended in relation to that Series of TIBSmi as described in section 10.8 (*Modification of the Information Memorandum*).

1.7. AUTHORISED MATERIAL

Only information contained in this Information Memorandum or as otherwise authorised in writing by the Commonwealth may be relied on as having been authorised by or on behalf of the Commonwealth.

1.8. INDEPENDENT INVESTMENT DECISIONS AND ADVICE

Neither the information contained in this Information Memorandum nor any other information supplied in connection with any TIBSmi should be considered or relied on as a recommendation or a statement of opinion (or a report of either of those things) by the Issuer or any syndicate member (in connection with a syndicated issue of TIBSmi) that any recipient of this Information Memorandum or any other information supplied in connection with any TIBSmi should acquire, subscribe for, purchase or otherwise deal in any TIBSmi.

Each investor contemplating acquiring, subscribing for, purchasing or otherwise dealing in any TIBSmi should rely upon their own independent investigation of the Issuer and an investment in TIBSmi (including any associated risks) and must base their investment decision solely upon their independent assessment and such investigations as they consider necessary.

No accounting, regulatory, investment, legal, tax or other professional advice is given in respect of the legal or taxation treatment of investors or purchasers in connection with an investment in any TIBSmi or rights in respect of them and each investor is advised to consult its own professional adviser.

1.9. COMPLIANCE WITH LAWS

The distribution and use of this Information Memorandum, any supplement or other offering material, and the offer or sale of TIBSmi may be restricted by law or directive in certain jurisdictions and intending purchasers and other investors should inform themselves about them and observe any such restrictions. A person may not (directly or indirectly) offer for subscription or purchase or issue an invitation to subscribe for or buy TIBSmi, nor distribute or publish this Information Memorandum or any other offering material or advertisement relating to any TIBSmi except if the offer or invitation, or distribution or publication, complies with all applicable laws and directives.

1.10. LIMITED RESPONSIBILITY FOR INFORMATION

No syndicate member appointed in connection with a syndicated issue of TIBSmi has separately verified the information in this Information Memorandum. No syndicate member is liable for any loss or damage of any kind whatsoever arising as a result of any information in this document, notwithstanding any negligence, default or lack of care by it or that such loss or damage was foreseeable, except to the extent that liability under the *Competition and Consumer Act 2010*, the *Corporations Act 2001* or any other applicable statute or other law cannot be excluded.

The Issuer has prepared and has authorised the issue of this Information Memorandum and accepts responsibility for the information contained and incorporated by reference in it.

1.11. CONFLICTS OF INTEREST

Any syndicate member appointed in connection with a syndicated issue of TIBSmi or any of its affiliates may from time to time, be a Bondholder or have other interests with respect to TIBSmi and may also have interests relating to other arrangements with respect to TIBSmi (including, without limitation, the right to receive or the obligation to pay fees, brokerage, commissions or other benefits with respect to any TIBSmi).

2. COUPON INTEREST

2.1. COUPON INTEREST PAYABLE ON ADJUSTED CAPITAL VALUE

A Bondholder will receive Coupon Interest Payments on the Adjusted Capital Value at the applicable Coupon Interest Rate.

2.2. PAYMENT FREQUENCY, AMOUNT AND FIRST COUPON INTEREST PAYMENT

Coupon Interest Payments are made semi-annually in arrear on each Coupon Interest Payment Date up to and including the Maturity Date in an amount determined as described below. Interest will cease to accrue on TIBSmi on the Maturity Date.

Coupon Interest Payment Dates for a Series of TIBSmi will be specified at the time of issue.

Coupon Interest Payments for TIBSmi will be calculated on the basis of the following formula:

$$g \times Index\ Ratio$$

where g and $Index\ Ratio$ are as defined under section 6.1 (*Settlement Price*).

e.g. using a fixed annual Coupon Interest Rate of 4.00%, a Coupon Interest Payment Date of 21 May, and the Index Ratio that corresponds to 21 May defined in this example as 1.02418, the next Coupon Interest Payment (on the next good business day) would be calculated as follows:

$$\frac{4.00}{2} \times 1.02418 = \$2.04836$$

Coupon Interest Payments shall be rounded to the nearest cent (0.5 cent being rounded up).

2.3. COUPON INTEREST ENTITLEMENT AND EX-INTEREST PERIOD

Bondholders Registered at the close of business on the Record Date will be entitled to the next Coupon Interest Payment. Bondholders who acquire TIBSmi during the Ex-Interest Period are not entitled to the next Coupon Interest Payment.

Examples of how the Record Date and Ex-Interest Period will operate in practice are available on the AOFM's website at www.aofm.gov.au.

2.4. MODE OF COUPON INTEREST PAYMENT

Where TIBSmi are lodged in and held through the Austraclear System, Coupon Interest Payments will be made in the manner described in the Austraclear System Regulations.

If a Coupon Interest Payment Date is not a Business Day, the Coupon Interest Payment will be made on the next Business Day without payment of any additional interest in respect of such delay.

Coupon Interest Payments will be rounded to the nearest cent (with 0.5 of a cent being rounded up).

3. FEES AND TAXATION

3.1. FEES

Coupon Interest Payments and repayment of the Adjusted Capital Value on the Maturity Date will be made free of any fees, charges, deductions or levies of the Australian Government except to the extent required by law.

3.2. AUSTRALIAN TAXATION

The following is a summary of the Australian withholding tax treatment under the *Income Tax Assessment Acts of 1936 and 1997* and the *Taxation Administration Act 1953*, at the Effective Date, of Coupon Interest Payments by the Commonwealth on the TIBSmi and certain other Australian tax matters.

Neither the Issuer nor the Registrar is able to provide taxation advice to current or potential Bondholders. The information contained in this section is of a general nature only and is not to be treated as binding on the Australian Taxation Office. The summary is not exhaustive and, in particular, does not deal with the position of certain classes of Bondholders (including, without limitation, dealers in securities, custodians or other third parties who hold TIBSmi on behalf of any person). It also does not deal with how Bondholders may otherwise be taxed in respect of the TIBSmi, including in respect of Coupon Interest Payments and any excess of the Adjusted Capital Value over the Face Value. It is possible a Bondholder may be assessed on amounts before they receive them.

Each Bondholder should seek professional tax advice in relation to their particular circumstances.

3.2.1. INTEREST WITHHOLDING TAX

Interest withholding tax applies to payments of interest (within the meaning of section 128A(1AB) of the *Income Tax Assessment Act 1936*) made to a Bondholder who is:

- an Australian Resident for income taxation purposes who derives the Coupon Interest Payments in carrying on business at or through a permanent establishment outside Australia; or
- a non-resident for income taxation purposes who does not derive the Coupon Interest Payments in carrying on business at or through a permanent establishment in Australia,

unless an exemption applies.

Coupon Interest Payments on TIBSmi are eligible for exemption from interest withholding tax provided the TIBSmi have been issued in a manner that satisfies the 'public offer test' under section 128F of the *Income Tax Assessment Act 1936*. Unless otherwise announced at the time of issue, the Commonwealth will seek to issue TIBSmi in a manner that satisfies the 'public offer test'.

TIBSmi issued by the Commonwealth must not be purchased by an Offshore Associate of the Commonwealth other than one acting in the capacity of a dealer, manager or underwriter in relation to the placement of the TIBSmi or in the capacity of a clearing house, custodian, funds manager or responsible entity of an Australian registered scheme.

In addition, Australia has signed a number of double tax treaties with foreign jurisdictions which effectively prevent interest withholding tax from applying to certain recipients.

3.2.2. ABN/TFN WITHHOLDING TAX

Bondholders are not required to advise the Commonwealth of their Tax File Number ("**TFN**") or Australian Business Number ("**ABN**"). However, if the Bondholder does not provide a TFN or ABN and does not claim an exemption from providing a TFN or ABN, then the Commonwealth is required by law to withhold an amount from certain payments equal to the top marginal rate of income tax plus the Medicare Levy, currently at the rate of 47%. Assuming the requirements of section 128F of the *Income Tax Assessment Act 1936* are satisfied with respect to the TIBSmi, then this requirement should not apply to payments of interest (within the meaning of section 128A(1AB) of the *Income Tax Assessment Act 1936*) to a Bondholder who is not an Australian Resident and who does not derive the payment in carrying on business at or through a permanent establishment in Australia.

3.2.3. GARNISHEE DIRECTIONS BY THE COMMISSIONER OF TAXATION

The Commissioner of Taxation may give a direction requiring a third party to deduct from any payment to a Bondholder any amount in respect of Australian tax payable by the Bondholder. If the Commonwealth is served with a valid direction, then the Commonwealth will comply with that direction and make any deduction required by that direction.

3.2.4. NO ADDITIONAL AMOUNTS PAYABLE

For the avoidance of doubt, in the event that any payment made by the Commonwealth in respect of TIBSmi is made subject to deduction or withholding for or on account of any Taxes, duties, assessments or governmental charges of any nature, no additional amounts shall be payable by the Commonwealth in respect of such deduction or withholding.

3.3. U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT

Under sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**"), a 30% withholding ("**FATCA withholding"**) may be required if (i)(A) an investor does not provide information sufficient for any non-U.S. financial institution ("**FFI**") through which payments on the TIBSmi are made to determine the Bondholder's status under FATCA, or (B) an FFI to or through which payments on the TIBSmi are made is a "non-participating FFI"; and (ii) the TIBSmi are treated as debt for U.S. federal income tax purposes and the payment is made in respect of TIBSmi issued or modified after the date that is six months after the date on which final regulations defining the term "foreign

passthru payment" are filed with the U.S. Federal Register, or the TIBSmi are treated as equity for U.S. federal income tax purposes or do not have a fixed term, whenever issued.

FATCA withholding is not expected to apply on payments made before the date that is two years after the date on which final regulations defining the term "foreign passthru payment" are filed with the U.S. Federal Register.

Reporting Australian Financial Institutions ("**RAFI**") under the Australia–U.S. FATCA Intergovernmental Agreement dated 28 April 2014 ("**Australian IGA**") must comply with specific due diligence procedures. In general, these procedures seek to identify account holders and provide the Australian Taxation Office ("**ATO**") with information on financial accounts held by U.S. persons and recalcitrant account holders. The ATO is required to provide such information to the U.S. Internal Revenue Service. Consequently, Bondholders may be requested to provide certain information and certifications to any financial institutions through which payments on the TIBSmi are made. A RAFI that complies with its obligations under the Australian IGA will not be subject to FATCA withholding on amounts it receives, and will not be required to deduct FATCA withholding from payments it makes, other than in certain prescribed circumstances.

In the event that any amount is required to be withheld or deducted from a payment on the TIBSmi as a result of FATCA, no additional amounts will be paid by the Commonwealth to Bondholders as a result of the deduction or withholding.

3.4. OECD COMMON REPORTING STANDARD

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information ("**CRS**") requires certain financial institutions to report information regarding certain accounts (which may include the TIBSmi) to their local tax authority and follow related due diligence procedures. Bondholders may be requested to provide certain information and certifications to ensure compliance with the CRS. A jurisdiction that has signed a CRS Competent Authority Agreement may provide this information to other jurisdictions that have signed the CRS Competent Authority Agreement. The Australian Government has enacted legislation amending, among other things, the *Taxation Administration Act 1953* to give effect to the CRS.

4. TENDER PROCEDURES

The following is a summary of the key details of the procedures for TIBSmi issued or repurchased via a tender. Further information on these procedures is available in the AOFM Tender System Conditions of Operation, available at www.aofm.gov.au. The procedures described below do not limit the Commonwealth's right to issue or repurchase TIBSmi by any other method.

4.1. ANNOUNCEMENT OF PERIODIC TENDERS

Invitations to Tender will be made from time to time. Each invitation will include details of:

- each Series of TIBSmi for which bids or offers will be invited;
- the amount to be offered or repurchased of each Series;
- the closing time and date for bids or offers;
- the settlement date; and
- such other information as the Commonwealth considers necessary or desirable.

All Invitations to Tender and all tenders of TIBSmi shall be made on the terms of, and pursuant to, this Information Memorandum.

4.2. ELIGIBILITY TO TENDER

Bids or offers for TIBSmi at competitive tenders conducted via the AOFM Tender System may only be submitted by parties that are registered with the AOFM. Details of the registration process are contained in the AOFM Tender System Conditions of Operation.

4.3. TENDER BASIS AND BID OR OFFER FORMAT

Bids or offers for TIBSmi must be submitted in accordance with the AOFM Tender System Conditions of Operation.

Bids or offers for TIBSmi will be received on a competitive tender basis.

The Yield bid or offered may be expressed to a maximum of four decimal places (e.g. 3%, 3.0%, 3.00%, 3.000% or 3.0000%). Yield bids or offers must be a whole multiple of 0.0025% (e.g. 3.0000%, 3.0025% or 3.0050%). Yields submitted that are not a whole multiple of 0.0025% will not be accepted.

4.4. SIZE OF BIDS OR OFFERS

Each bid or offer for TIBSmi must be for a minimum parcel of $1,000,000 in aggregate Face Value and in multiples of $1,000,000 in aggregate Face Value thereafter.

4.5. COMMISSION

No commission will be paid on TIBSmi issued or repurchased by tender.

4.6. BID OR OFFER SUBMISSION AND MODIFICATION

Bids or offers for TIBSmi may be submitted by either:

– transmitting and committing a bid or offer via the AOFM Tender System; or

– any other method specified in the AOFM Tender System Conditions of Operation.

Bids or offers submitted via the AOFM Tender System are subject to the conditions outlined in the AOFM Tender System Conditions of Operation.

A bid or offer that has been committed within the AOFM Tender System may be altered or revoked by the bidder or submitter prior to the time announced for closure of the tender according to the clock in the AOFM Tender System.

A bid or offer that has been committed within the AOFM Tender System cannot be altered or revoked by the bidder or submitter after the time announced for closure of the tender according to the clock in the AOFM Tender System.

A bid or offer cannot be committed within the AOFM Tender System after the time announced for closure of the tender according to the clock in the AOFM Tender System.

The AOFM may alter or revoke a bid or offer it considers having been submitted in error, at any time.

4.7. TENDER CANCELLATION OR POSTPONEMENT

The Commonwealth reserves the right to cancel or postpone a tender by reason of any circumstance including a circumstance beyond the control of the AOFM and, without limitation, partial or total failure, malfunction or overload of the AOFM Tender System, industrial action or other emergency.

4.8. UNDER-ISSUANCE/UNDER-ACCEPTANCE

The Commonwealth reserves the right to accept bids or offers for the full amount of an Invitation to Tender or any part thereof and to reject any bid or offer or part thereof on any grounds whatsoever, notwithstanding that the full amount of TIBSmi in an Invitation to Tender has not been taken up.

4.9. ALLOTMENT OF TENDER STOCK AT TENDERS FOR THE ISSUE OF TIBSMI

Acceptance of bids will be made in ascending order of Yield bid, that is, from the lowest Yield bid to the highest Yield accepted. Allotments will be made at the Yields bid.

At the highest Yield accepted, the amount of TIBSmi allotted to each bid will, in the first instance, be calculated proportionately to the amount of bids at that Yield and rounded down to the nearest $1,000,000 in aggregate Face Value. If following this the total amount allotted is lower than the total amount offered, bids at the highest accepted Yield will be rounded up to the nearest $1,000,000 in aggregate Face Value, firstly in order of the amount by which they were initially rounded down (largest amount first) and then in the time order in which they were committed in the AOFM Tender System (earliest first), until the total amount offered is reached. No bidder will be allotted an amount greater than the amount bid.

The Commonwealth reserves the right to accept any bid for the full amount of a tender or any part thereof and to reject any bid or part thereof.

Notice of acceptance or rejection of a bid or any part thereof will be made available to each bidder as soon as possible after allotment.

4.10. Acceptance of Offers at Tenders for the Repurchase of TIBSmi

Acceptance of offers will be made in descending order of Yield offered, that is, from the highest Yield offered to the lowest Yield accepted. Repurchases will be made at the Yields offered.

At the lowest Yield accepted, the amount of TIBSmi repurchased from each offer will, in the first instance, be calculated proportionately to the amount of offers at that Yield and rounded down to the nearest $1,000,000 in aggregate Face Value. If following this the total amount repurchased is lower than the total amount available for repurchase, offers at the lowest accepted Yield will be rounded up to the nearest $1,000,000 in aggregate Face Value, firstly in order of the amount by which they were initially rounded down (largest amount first) and then in the time order in which they were committed in the AOFM Tender System (earliest first), until the total amount available for repurchase is reached. No offeror will sell an amount greater than the amount offered.

The Commonwealth reserves the right to accept any offer for the full amount of a tender or any part thereof and to reject any offer or part thereof.

Notice of acceptance or rejection of an offer or any part thereof will be made available to each offeror as soon as possible after acceptance.

4.11. Acceptance of Offers at Tenders for the Repurchase of Multiple TIBSmi Series

A Reference Yield will be set for each Series of TIBSmi for which offers are invited. The Reference Yield will be set with reference to prevailing secondary market yields. For each offer, the Offer Spread will be calculated as the difference between the Yield offered and the Reference Yield.

Acceptance of offers will be made in descending order of Offer Spreads (across the Series offered), that is, from the highest spread offered to the lowest spread accepted. Repurchases will be made at the Yields offered.

At the lowest Offer Spread accepted, the amount of TIBSmi repurchased from each offer will, in the first instance, be calculated proportionately to the amount of offers at that Offer Spread and rounded down to the nearest $1,000,000 in aggregate Face Value. If following this the total amount repurchased is lower than the total amount available for repurchase, offers at the lowest accepted Offer Spread will be rounded up to the nearest $1,000,000 in aggregate Face Value, firstly in order of the amount by which they were initially rounded down (largest amount first) and then in the time order in which they were committed in the AOFM Tender System (earliest first), until the total amount available for repurchase is reached. No offeror will sell an amount greater than the amount offered.

The Commonwealth may set the maximum volume of a particular Series to be repurchased. In this case offers will be accepted in the manner described above until that maximum is reached (if it is reached), from which point offers for that Series of TIBSmi would not be accepted. Offers for other Series would be accepted in the manner described above for the remainder of the amount available for repurchase.

The Commonwealth reserves the right to accept any offer for the full amount of a tender or any part thereof and to reject any offer or part thereof.

Notice of acceptance or rejection of an offer or any part thereof will be made available to each offeror as soon as possible after acceptance.

4.12. OTHER REPURCHASE METHODS

The Commonwealth reserves the right to repurchase TIBSmi in any manner deemed appropriate, including, but not limited to the repurchase procedures described above.

5. OTHER METHODS OF ISSUE

5.1. OFFICIAL SUBSCRIPTION

The RBA and certain other agencies, entities or bodies of the Commonwealth may, from time to time, purchase TIBSmi.

Amounts to be taken up in this way at the time of a tender will be indicated in the Invitation to Tender and will be additional to the amount offered for public tender. Such allotments will be at the weighted average issue Yield(s) announced for the relevant tender.

5.2. OTHER ISSUANCE METHODS

The Commonwealth reserves the right to issue TIBSmi in any manner deemed appropriate. This includes, but is not limited to, the Commonwealth appointing a syndicate of financial institutions from time to time for the placement of TIBSmi on conditions that may be agreed at such time. The Commonwealth may pay fees to syndicate members as may be agreed at the time. Where TIBSmi are issued under syndication arrangements there will be no Invitation to Tender in respect of those TIBSmi and the details of those TIBSmi will be as set out in an Issue Supplement. In the event of any inconsistency between the terms of this Information Memorandum and an Issue Supplement for TIBSmi issued under a syndication arrangement, this Information Memorandum will be taken to be varied in accordance with, and on the terms of the Issue Supplement, in respect of those TIBSmi.

6. SETTLEMENT FOLLOWING ISSUE OR REPURCHASE

6.1. SETTLEMENT PRICE

6.1.1. BASIC FORMULA

Following the issue or repurchase of TIBSmi, the settlement price per $100 Face Value, extended to the third decimal place, shall be calculated on the basis of the following formula:

SETTLEMENT PRICE PER $100 FACE VALUE = $\boldsymbol{v^{f/d}\left(g(x+a_{\overline{n}|}) + 100v^n\right) \times \ Index\ ratio}$

Where:

$\boldsymbol{v} = \frac{1}{1+i}$;

$\boldsymbol{i}$ = the annual percentage Real Yield (expressed as above under 'Tender Basis and Bid or Offer Format') divided by 200 (for example, where the TIBSmi are to be allotted or repurchased at a Real Yield of 2.46% per annum, $\boldsymbol{i = \frac{2.46}{200} = 0.0123}$);

$\boldsymbol{x}$ = 1, if there is a Coupon Interest Payment due to the buyer of the TIBSmi at the next Coupon Interest Payment Date;

x = 0, if there is no Coupon Interest Payment due to the buyer of the TIBSmi at the next Coupon Interest Payment Date;

$\boldsymbol{f}$ = the number of days from the Settlement Date to the next Coupon Interest Payment Date;

$\boldsymbol{d}$ = the number of days in the half-year ending on the next Coupon Interest Payment Date;

$\boldsymbol{g}$ = the fixed half-yearly Coupon Interest Rate payable (equal to the annual fixed coupon rate divided by 2);

$\boldsymbol{n}$ = the term in half years from the next Coupon Interest Payment Date to maturity;

$\boldsymbol{a_{\overline{n}|} = v + v^2 + \ldots + v^n = \frac{1-v^n}{i}}$. Except if $\boldsymbol{i = 0}$ then $\boldsymbol{a_{\overline{n}|} = n}$

Index Ratio = is the Index Ratio at the Settlement Date determined in accordance with section 6.1.2 (*Index Ratio*).

The settlement amount, equal to Face Value multiplied by the Settlement Price per $100 Face Value and divided by 100, will be rounded to the nearest cent (0.5 cent being rounded up).

6.1.2. INDEX RATIO

A TIBSmi Index Ratio is a measure that adjusts the capital value of the TIBSmi to reflect inflation. It is calculated by comparing the change in the Consumer Price Index, from the TIBSmi's issue date to the Settlement Date. The formula for the index ratio is:

Index Ratio = Daily Reference CPI at the Settlement Date / Daily Reference CPI at launch

The Index Ratio will be rounded to five decimal places (0.000005 being rounded up).

The ratio is used to calculate Adjusted Capital Value, which ensures payments to Bondholders are protected against inflation. Adjusted Capital Value is used to calculate both the semi-annual Coupon Interest Payments and the final principal repayment at maturity. As Daily Reference CPI increases, Adjusted Capital Value increases. Conversely, if Daily Reference CPI decreases, Adjusted Capital Value decreases. In all cases, the final redemption value shall be no less than $100 Face Value, irrespective of the movements in the ***CPI*** over the life of the TIBSmi.

Index Ratios are calculated using a Daily Reference CPI series published on the AOFM's website at www.aofm.gov.au. Daily Reference CPI operates with a three-month lag to CPI published by the ABS. The Daily Reference CPI series is constructed using the published CPI value for the first calendar day of each month and linear interpolation of values from the two relevant CPI Months, rounded to five decimal places. For example, the Daily Reference CPI series for May is constructed using the published CPI values for February and March. Where the value for 1 May is set to the published CPI value for February, the value of 1 June is set to the published CPI value for March, with interpolation used to calculate the value of all remaining days in May. If the published CPI values for February and March are 101.31 and 102.44 respectively, the Daily Reference CPI value for 28 May will be 102.29419.

The Index Ratio is calculated as the ratio of the Daily Reference CPI at the Settlement Date and the Daily Reference CPI value at launch (supplied in the initial term sheet and Issue Supplement or as subsequently updated should CPI be re-referenced or rebased). For example, where Daily Reference CPI is 102.29419 at the Settlement Date and Daily Reference CPI was 99.63000 at launch:

$$\boldsymbol{Index\ Ratio} = \frac{\mathbf{102.29419}}{\mathbf{99.63000}} = \mathbf{1.02674}.$$

AOFM will publish the Daily Reference CPI series and the Index Ratio for each issued TIBSmi prior to the start of each calendar month on its website at www.aofm.gov.au.

6.2. CONSUMER PRICE INDEX

The ***CPI*** to be used for the purpose of this Information Memorandum shall be the `All groups ***CPI***; Australia; ABS Code 6401.0; Series id A130393720C' as

maintained and published by the Australian Bureau of Statistics in respect of each CPI Month.

If, for any reason, the ***CPI*** for a CPI Month relevant for the purposes of this Information Memorandum and the terms and conditions is not published by the Australian Bureau of Statistics by the close of business on the fifth Business Day of that CPI Month, the AOFM will determine, acting reasonably and in good faith, a substitute ***CPI*** figure for that CPI Month. Such substitute ***CPI*** figure shall be used for all purposes under this Information Memorandum and the terms and conditions in place of the ***CPI*** for that CPI Month and shall not be replaced upon any subsequent publication of the ***CPI*** by the Australian Bureau of Statistics. Until either the ***CPI*** or a substitute ***CPI*** figure has been determined for the relevant CPI Month, the ***CPI*** published for the previous CPI Month shall, where relevant, apply in the interim. The substitute CPI figure, and the calculation by the AOFM of the Daily Reference CPI, Index Ratio and/or the amount of any principal and/or interest payable on the basis of that substitute CPI figure, shall be conclusive and binding on all Bondholders.

If the Australian Bureau of Statistics were to cease to publish the ***CPI*** and were to publish another index that it stated to be in replacement of the ***CPI***, then that index shall be used for the purposes of this Information Memorandum and all references to the ***CPI*** are to be interpreted accordingly.

If the Australian Bureau of Statistics were to cease to publish the ***CPI*** without publishing a replacement index, or if any methodological change were to be made to the coverage, periodicity, or basic calculation of the ***CPI*** which, in the opinion of the Treasurer, constituted a change in the ***CPI*** which would be materially detrimental to the interests of Bondholders, the AOFM would notify Bondholders and offer them the right to redeem their TIBSmi at market-related prices as determined by the AOFM. Repayment to Bondholders who exercise such a right will be on a date specified by the AOFM no later than six months from the date of publication of the last ***CPI*** figure made prior to such a change as is referred to earlier in this paragraph. In these circumstances, a notice setting out the administrative arrangements for redemption and payment will be given to Bondholders at the appropriate time. In the event that Bondholders choose not to redeem their holdings under this provision, the monthly adjustments to the Capital Value and Coupon Interest Payments applying to TIBSmi not redeemed shall be calculated according to an index to be announced by the Treasurer which, for the purposes of this Information Memorandum, shall be deemed to be a replacement for the ***CPI***. If the ***CPI*** is re-referenced or rebased after TIBSmi are issued, Daily Reference ***CPI*** and Index Ratio values already published will remain unchanged. The index which shall be used for the calculation of subsequent Daily Reference ***CPI*** and Index Ratio values shall be the ***CPI*** numbers expressed on the new base as published by the Australian Bureau of Statistics. The value of the reference ***CPI*** at launch shall be updated and expressed on the new base as published by the Australian Bureau of Statistics for the purpose of calculating subsequent Index Ratio values. The AOFM will provide further advance guidance in the event of the ***CPI*** being re-referenced or rebased.

If a previously reported CPI number is revised, Daily Reference ***CPI*** and Index Ratio values already published will remain unchanged and will continue to be

used in calculating the Capital Value and Coupon Interest Payments. No adjustment will be made to the Capital Value or any Coupon Interest Payment as a result of any revision to a CPI number.

6.3. SETTLEMENT FOLLOWING TENDER

Unless otherwise specified in the Invitation to Tender, settlement in the Austraclear System is to take place before the End of Day (as defined in the Austraclear System Regulations) on the second Business Day following the tender.

If a bidder fails to make due payment of any amount payable to the Commonwealth in respect of any allotment pursuant to a bid, the Commonwealth may cancel the allotment of TIBSmi to that bidder.

If an offeror fails to deliver to the Commonwealth any TIBSmi that are to be repurchased in accordance with the terms of an accepted offer, the Commonwealth may cancel that repurchase from that Bondholder.

7. REGISTRATION AND TRANSFER

7.1. THE REGISTER

The issue of TIBSmi will be effected and evidenced by particulars of the TIBSmi being entered into the Register by the Registrar.

The Registrar shall enter into the Register the following particulars:

- name and address of the Bondholder;
- Face Value of the TIBSmi held;
- Coupon Interest Rate payable on the TIBSmi;
- Coupon Interest Payment Dates of the TIBSmi;
- Maturity Date of the TIBSmi;
- such other particulars as may, from time to time, be required by the Commonwealth; and
- such other particulars as may, from time to time, be considered necessary by the Registrar (after consultation with the Commonwealth).

The Registrar may correct errors and remedy omissions in the Register.

7.2. REGISTER IS CONCLUSIVE

Entry of the name of a Person in the Register in respect of a TIBSmi (including Austraclear Ltd, as discussed below in section 7.3 (*Lodgement of TIBSmi within the Austraclear System*)) constitutes the obtaining or passing of title and is conclusive evidence that the Person so entered is the Registered owner of such TIBSmi, subject to rectification for fraud or manifest or proven error, and all rights and entitlements vest absolutely in that Person. No notice of any trust in respect of any TIBSmi will be entered in the Register or receivable by the Registrar. In accordance with Division 2 of the Inscribed Stock Act, each Person so Registered is to be regarded as the absolute owner of the TIBSmi Registered in its name and the Commonwealth and the Registrar shall not be affected by any trust or other equity affecting any TIBSmi, whether or not it is aware of the same.

7.3. LODGEMENT OF TIBSMI WITHIN THE AUSTRACLEAR SYSTEM

It is expected that TIBSmi will be lodged into the Austraclear System. Where TIBSmi are lodged in the Austraclear System, Austraclear Ltd (ABN 94 002 060 773) as the operator of the Austraclear System will be the sole Registered holder of those TIBSmi.

The rights of a Person who holds an interest in a TIBSmi which is lodged in the Austraclear System are subject at all times to the Austraclear System Regulations. For so long as TIBSmi remain in the Austraclear System (a) title to such TIBSmi and (b) all matters relating to payments on, and redemption of,

such TIBSmi will be determined or made in a manner that is in accordance with the Austraclear System Regulations.

The Commonwealth is not responsible for the operation of the Austraclear System.

7.4. TRANSFER OF TIBSMI WITHIN THE AUSTRACLEAR SYSTEM

Interests in TIBSmi which are lodged in the Austraclear System may be transferred to other Persons in parcels that are a multiple of $1,000 in Face Value.

A Bondholder may effect the transfer of TIBSmi through the Austraclear System in accordance with the Austraclear System Regulations.

7.5. OTHER CLEARING SYSTEMS

Where TIBSmi are lodged in the Austraclear System, interests in those TIBSmi may also be traded on the settlement systems operated by Euroclear Bank SA/NV and/or Clearstream Banking, S.A. The rights of a holder of interests in a TIBSmi held through such clearing systems are subject to the respective rules and regulations for accountholders of those clearing systems and the Austraclear System Regulations.

8. REDEMPTION ON THE MATURITY DATE

Subject to section 6.2 (*Consumer Price Index*), TIBSmi are not redeemable prior to the Maturity Date.

Redemption of TIBSmi is made from the Consolidated Revenue Fund of the Commonwealth under standing appropriations.

Where TIBSmi are lodged in the Austraclear System, the TIBSmi will be redeemable at their Adjusted Capital Value on the Maturity Date in the manner described in the Austraclear System Regulations.

If the Maturity Date is not a Business Day, payment will be made on the next Business Day without payment of any additional interest.

In all cases, the final redemption value shall be no less than $100 per $100 Face Value, irrespective of the movements in the $\boldsymbol{CPI}$ over the life of the TIBSmi.

9. SECONDARY MARKET FOR TIBSMI

TIBSmi may be traded in the secondary market.

AFMA has published conventions that apply to trading in the over-the-counter market of long-dated debt securities such as TIBSmi. These details can be viewed at AFMA's website at www.afma.com.au.

TIBSmi are traded in the secondary market on a Real Yield basis with the price per $100 Face Value calculated using the TIBSmi pricing formulae on the AOFM's website at www.aofm.gov.au.

Bondholders should only conduct trading in accordance with applicable laws and regulations of all relevant jurisdictions.

10. OTHER

10.1. FUNGIBILITY

The Commonwealth may, from time to time, issue TIBSmi which are intended to be fungible with any outstanding Series of TIBSmi, and whether by Invitation to Tender or otherwise. Any such new issuance shall be issued on the same terms and conditions (including as to Maturity Date and Coupon Interest Rate) as the outstanding Series.

10.2. PURCHASE AND CANCELLATION

The Commonwealth or its agents, agencies, entities, bodies or related Persons may, at any time, offer to purchase TIBSmi from any Person. Any TIBSmi so purchased may be lent, retained, sold or cancelled at the discretion of the Commonwealth.

10.3. CORPORATIONS ACT 2001

TIBSmi are not securities for the purposes of Chapter 6D of the *Corporations Act 2001* and consequently no Prospectus is required to be prepared under Part 6D.2 in respect of the issue and sale of TIBSmi. In addition, the issue and sale of TIBSmi does not require the production of a Product Disclosure Statement in accordance with section 1010A of the *Corporations Act 2001*.

10.4. TRUSTEES

TIBSmi are authorised investments under trustee legislation applying in Australia.

10.5. ASX QUOTATION

The Commonwealth intends to apply for the quotation of TIBSmi on the ASX promptly after issue.

10.6. USE OF INFORMATION MEMORANDUM

This Information Memorandum is intended for use only in connection with the offer of TIBSmi in Australia and must not be sent to any Person outside Australia in any jurisdiction in circumstances in which the offer of TIBSmi or use of this Information Memorandum would be unlawful.

10.7. PRIVACY

The AOFM, the Registrar and any registrar or paying agent appointed by the AOFM in respect of the TIBSmi collect and hold personal information about Bondholders for the purposes of administering TIBSmi. Bondholders may request access to any personal information held about them by contacting the Registrar (see contact details in section 12 (*Directory*)) or the relevant paying agent whose details will be notified to Bondholders at the time of their appointment. Bondholders may also request correction of any personal information held about them.

10.8. MODIFICATION OF THE INFORMATION MEMORANDUM

The Commonwealth may withdraw, modify or supplement this Information Memorandum at any time. Except as set out below, any modification of this Information Memorandum will not alter the terms of TIBSmi that have been issued before that modification ("**Existing TIBSmi**"). Where a modification is to apply to Existing TIBSmi, the modification must, in the Commonwealth's opinion, satisfy one or more of the following conditions:

a) the modification is of a formal, minor or technical nature or is made to correct a manifest error;

b) the modification is made to comply with mandatory provisions of law;

c) the modification is made to give effect to any successor index or alternative index for the CPI as provided in Section 6.2 (*Consumer Price Index*); or

d) such modification is not in the opinion of the Commonwealth materially prejudicial to the interests of holders of Existing TIBSmi.

Any such amendment takes effect on the publication of the amendment on the AOFM website, or such later date as the Commonwealth may specify in the amendment.

11. GLOSSARY OF TERMS

The following definitions apply to this Information Memorandum:

Adjusted Capital Value	The CPI-adjusted capital value of the TIBSmi determined by the Index Ratio. The Adjusted Capital Value per $100 Face Value = Index Ratio x 100.
AFMA	The Australian Financial Markets Association.
AOFM	The Australian Office of Financial Management.
AOFM Tender System	The system used by the AOFM to conduct tenders for issuance and repurchases of Commonwealth Inscribed Stock.
AOFM Tender System Conditions of Operation	The conditions from time to time existing and published on the AOFM website entitled 'Australian Office of Financial Management Tender System – Conditions of Operation'.
ASX	The Australian Securities Exchange operated by ASX Limited (ABN 98 008 624 691).
Austraclear System	The system for the clearance and settlement of debt securities operated by Austraclear Ltd (ABN 94 002 060 773).
Austraclear System Regulations	The rules and regulations issued by Austraclear Ltd from time to time governing the operation of the Austraclear System.
Australian Office of Financial Management or AOFM	The Commonwealth of Australia acting through and represented by the Australian Office of Financial Management.
Australian Resident	A Person that satisfies an Australian residency test as defined in Australian tax law.
Bondholder	In respect of any TIBSmi, the Person whose name from time to time is entered into the Register as the holder of that TIBSmi.
Business Day	A day not being a Saturday or Sunday on which banks are generally open for business in Sydney.
Commonwealth	The Commonwealth of Australia.

Consumer Price Index (CPI)	The Consumer Price Index (CPI) is a measure of the overall price level in the economy. The CPI is calculated using the price of a fixed basket of consumer goods.
Coupon Interest Payment	The amount paid or due to be paid on the Coupon Interest Payment Date.
Coupon Interest Payment Dates	The dates in each year on which a Coupon Interest Payment is payable on a TIBSmi, as set out in the applicable Issue Supplement and/or the Register, and includes the Maturity Date.
Coupon Interest Rate	The interest rate payable in respect of a TIBSmi, expressed as a percentage per annum as set out in the applicable Issue Supplement and/or the Register.
CPI Month	A monthly period in respect of which CPI is calculated.
Daily Reference CPI	The daily Consumer Price Index (CPI) series published by the AOFM to determine the level of inflation to be applied to TIBSmi in accordance with section 6.1.2 (*Index Ratio*).
Dollars or $	The lawful currency of Australia.
Effective Date	The date of this Information Memorandum.
Ex-Interest Period	The period after the Record Date up to and including the next Coupon Interest Payment Date. TIBSmi settled during this period will not be entitled to that Coupon Interest Payment.
Face Value	The principal or par value amount of a TIBSmi, unadjusted for changes in the CPI. For the purpose of: – issuance and trading, the Face Value of a TIBSmi is $1,000; and – all calculations, the Face Value of a TIBSmi is $100.
Index Ratio	The level of indexation applied to the Face Value of a TIBSmi to calculate Adjusted Capital Value in accordance with section 6.1.2 (*Index Ratio*).

Information Memorandum	This Information Memorandum as may be supplemented, modified or replaced including by an Issue Supplement.
Inscribed Stock Act	The *Commonwealth Inscribed Stock Act 1911*.
Invitation to Tender	An invitation issued by the Commonwealth pursuant to this Information Memorandum specifying the details of the TIBSmi to be offered or repurchased by way of tender.
Issue Supplement	In respect of TIBSmi issued through syndication arrangements, the supplement specifying issue details in relation to the relevant TIBSmi.
Issuer	The Commonwealth of Australia.
Maturity Date	The date, as specified in the Invitation to Tender or Issue Supplement on which the TIBSmi are to be repaid.
Offer Spread	The difference between the Yield offered and the Reference Yield for an offer at a tender for the repurchase of multiple TIBSmi Series.
Offshore Associate	An Offshore Associate of the Commonwealth means an associate (as defined in section 128F of the *Income Tax Assessment Act 1936*) that is either a non-resident of Australia that does not acquire the TIBSmi in carrying on a business at or through a permanent establishment in Australia or, alternatively, a resident of Australia that acquires the TIBSmi in carrying on a business at or through a permanent establishment outside of Australia.
Person	Includes an individual, firm, company, corporation or unincorporated body of persons or any state or government or any agency thereof (in each case, whether or not having separate legal personality).
RBA	The Reserve Bank of Australia.

Real Yield or 'Yield'	The rate of return on a TIBSmi (expressed as an annual percentage) above the rate of inflation, as measured by changes in the CPI, for a given purchase price, assuming the TIBSmi is held until the Maturity Date. The calculation of the Real Yield assumes all Coupon Interest Payments are invested at the same real rate of return.
Record Date	Close of business on the eighth day before the relevant Coupon Interest Payment Date, being a day on which banks are generally open for business in Sydney or Melbourne. If on this date the banks are closed for business in both Sydney and Melbourne then the Record Date will fall on the closest preceding date on which the banks are generally open for business in Sydney or Melbourne.
Reference Yield	The yield with which offers at tenders to repurchase multiple TIBSmi Series are compared to calculate the Offer Spread. The Reference Yield will be set for each Series of TIBSmi for which offers are invited with reference to prevailing secondary market yields.
Register	The register of holdings of TIBSmi maintained by the Registrar and 'Registered' has a corresponding meaning.
Registrar	Computershare Investor Services Pty Limited (ABN 48 078 279 277) or such other Person appointed by the Commonwealth to maintain a Register in respect of TIBSmi and perform such payment and other duties specified in that agreement.
Series	A series of TIBSmi which may be issued in multiple tranches but which have identical terms and conditions, except that the issue date and the first Coupon Interest Payment Date may be different in respect of different tranches of a Series.
Settlement Date	The value date for transfer of ownership as notified in the Invitation to Tender or otherwise the date on which a TIBSmi is settled.
Settlement Price	This is described in section 6.1 (*Settlement Price*).

Tax	Any tax, levy, duty, rate or tariff of any nature, including withholding taxes, which is imposed or collected by a government agency.
Treasurer	The Treasurer of the Commonwealth.

12. DIRECTORY

For issuer information, bidding and tender information and to register as a bidder contact:

Mail
Head of Funding, Strategy and Research
Australian Office of Financial Management
Treasury Building
Newlands Street
PARKES ACT 2600

Telephone
+61 2 6263 1135

Email
enquiries@aofm.gov.au

For settlements information contact:

Mail
Manager of Market Operations
Australian Office of Financial Management
Treasury Building
Newlands Street
PARKES ACT 2600

Telephone
+61 2 6263 1147

Email
marketoperations@aofm.gov.au

For the Registrar contact:

Mail
Computershare Investor Services Pty Limited
GPO Box 2237
MELBOURNE VIC 3001

Telephone
1800 674 996 (inside Australia)

Email
cgs@computershare.com.au

For Austraclear contact:

Telephone
1300 362 257

Email
austraclear@asx.com.au