

# Capital Series *Cornerstone*

Product Disclosure Statement (Part 2 of 2)

Issue date 14 February 2011



**Determined** to be different

# Disclosures and Important Information

This Product Disclosure Statement ("PDS") is comprised of two parts:

**Part 1 Dated 23 August 2010**

Contains general information relating to Capital Series, the Terms of Sale and the Terms and Conditions of the Commonwealth Bank Capital Investment Loan and Interest in Advance Loan.

**Part 2 14 February 2011**

Contains details of the Strategies, including information regarding the Underlying Portfolios and the methods used in calculating the Maturity Value of the Strategies. Part 2 also contains the costs associated with an investment in Capital Series and the Application Form.

This document is Part 2 of this PDS. If you have not received both parts, please contact your financial adviser, or if you do not have a financial adviser, call us on 13 15 20. In relation to any Strategy, Part 2 of this PDS may amend or vary any statement or provision in Part 1 of this PDS. In this case, Part 2 of this PDS prevails. You should read both parts of this PDS (Part 1 and Part 2 together are referred to as the "PDS") before deciding whether to invest in Capital Series.

This PDS has been prepared by Commonwealth Bank of Australia ("Commonwealth Bank"), the issuer of Capital Series. This PDS does not constitute an offer for sale or issue of any securities by Commonwealth Bank that requires disclosure under Chapter 6D of the Corporations Act 2001 (Cth).

**Terms of Sale:** Investments in Capital Series are not bank deposits. They are contracts entered into between Investors and Commonwealth Bank on the terms set out in the Terms of Sale. It is important that Investors read the Terms of Sale in full which are contained in pages 41 to 56 in Part 1 of this PDS.

**Definitions:** Capitalised words and phrases which are used in this PDS have the meaning given to those words and phrases as set out in the Definitions in the Terms of Sale, the Schedule of Terms and the Terms and Conditions of the Loan.

**Investment Decisions:** It is impossible in a document of this type to take into account the investment objectives, financial situation and particular needs of each reader. Accordingly, nothing in this PDS should be construed as a recommendation by Commonwealth Bank, or any associate of it or any other person concerning investment in Capital Series, the Delivery Asset or any other security. Readers should not rely on this PDS as the sole or principal basis of a decision to invest in Capital Series, the Delivery Asset or any other security and should seek independent financial and taxation advice before making a decision whether to invest in Capital Series. Any information or representation not contained in this PDS must not be relied upon as having been authorised by or on behalf of Commonwealth Bank. Nothing in this PDS is, or may be relied upon as, a representation as to the future performance of Capital Series or of any Reference Asset or the Delivery Asset.

**Preparation of this PDS:** Commonwealth Bank has taken all reasonable care to ensure that the information contained in this PDS is true and accurate in all material respects and that, to the best of its knowledge and belief, such information does not omit anything likely to affect its scope. Commonwealth Bank has prepared this PDS only from publicly available information, which Commonwealth Bank has not verified. No Relevant Asset Provider has been a party to its preparation or furnished any information specifically to Commonwealth Bank for the purpose of its preparation.

**Changes to Information in this PDS:** This PDS is current at the time of issue. Information in this PDS is subject to change from time to time. Where information is not materially adverse to Investors, Commonwealth Bank will update the information by posting a notice on its website at [commsec.com.au](http://commsec.com.au). You can request a paper copy of updated information by contacting your financial adviser. If you do not have a financial adviser, you can contact us on 13 15 20.

**Withdrawal of Applications:** If you have lodged an application for Capital Series, and you wish to withdraw your Application, you may withdraw your Application at any time prior to the Closing Date. After the Closing Date, if you withdraw your application for Capital Series, the Early Termination provisions will apply.

**Jurisdiction and Selling Restrictions:** This PDS is not an offer or invitation in relation to Capital Series in any place outside Australia.

**Registration with the Australian Securities and Investments Commission:** This PDS has not been lodged with the Australian Securities and Investments Commission ("ASIC") and is not required by the Corporations Act 2001 (Cth) to be lodged with ASIC. ASIC takes no responsibility for the contents of this PDS.

**Capital Investment Loan and Interest in Advance Loan:** A Capital Investment Loan is available from Commonwealth Bank to fund your Investment Amount. An Interest in Advance Loan is available from Commonwealth Bank to pay the yearly interest in advance due and owing under a Capital Investment Loan. The Capital Investment Loan and Interest in Advance Loan (each a "Loan") are products of Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945 administered by its wholly owned subsidiary Commonwealth Securities Limited ("CommSec") ABN 60 067 254 399 AFSL 238814. Applications for the Capital Investment Loan and Interest in Advance Loan are subject to Commonwealth Bank's credit approval process.

You are not required to obtain a Capital Investment Loan to make an investment in Capital Series. You can use your own funds or other loan funds. If you are considering a Capital Investment Loan from Commonwealth Bank to fund your investment in Capital Series, then you should read Section 2 in Part 1 of this PDS. You must also ensure you understand your obligations under the Terms and Conditions of the Loan, which are contained in Section 7 in Part 1 of this PDS, before deciding whether to apply for a Capital Investment Loan.

If you choose to prepay in advance the yearly interest due and owing under a Capital Investment Loan, you are not required to obtain an Interest in Advance Loan. You can use your own funds or other loan funds. If you are considering an Interest in Advance Loan, you must obtain a Capital Investment Loan. You should read Section 2 and Section 3 in Part 1 of this PDS and you must ensure you understand your obligations under the Terms and Conditions of the Loan, which are contained in Section 7 in Part 1 of this PDS, before deciding whether to apply for an Interest in Advance Loan.

No cooling-off rights apply to an application for a Capital Investment Loan or an Interest in Advance Loan. This means that, in most circumstances, you cannot withdraw an application once it has been made.

You should not rely on Section 2 or Section 3 in Part 1 of this PDS and the Terms and Conditions of the Loan as the sole or principal basis of a decision to apply for a Capital Investment Loan or Interest in Advance Loan and should seek independent financial and taxation advice before making a decision.

Any information or representation not contained in Section 2 or Section 3 in Part 1 of this PDS and the Terms and Conditions of the Loan must not be relied upon as having been authorised by or on behalf of Commonwealth Bank. Nothing in Section 2 or Section 3 in Part 1 of this PDS and the Terms and Conditions of the Loan is, or may be relied upon as, a representation as to the future performance of Capital Series.

**Associations and Relevant Interests:** You should obtain professional advice as to whether by acquiring an interest in Capital Series you will be subject to the relevant interest, substantial shareholding or takeover provisions of the Corporations Act 2001 (Cth). The acquisition and Completion of Capital Series could also have implications for Investors under the Foreign Acquisitions and Takeovers Act 1975 (Cth) and other legislation that may affect shareholdings in certain types of companies. You should obtain your own advice in this regard.

Commonwealth Bank has not taken into account any labour standards or environmental, social or ethical considerations in the selection, retention or realisation of the investment.

Any person receiving this PDS electronically should note that applications can only be accepted if the Issuer receives a completed, current Application Form which accompanied the electronic or paper copy of this PDS. We will send you paper copies of this PDS (with attached Application Form) free of charge upon request. Please call your financial adviser or, if you do not have a financial adviser, call us on 13 15 20 for a paper copy of this PDS.

**Examples:** The assumed Reference Asset values included in the examples in this PDS are for illustrative purposes only and do not reflect Commonwealth Bank's views on future events.

**Reference Asset – S&P/ASX 200 Index:** The S&P/ASX 200 Index is one of the Reference Assets for Capital Series *Cornerstone*. The S&P/ASX 200 Index is a trademark of Standard & Poor's and has been licensed for use by Commonwealth Bank. Capital Series *Cornerstone* is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in Capital Series *Cornerstone*.

**Issued by Commonwealth Bank of Australia**

**ABN 48 123 123 124, AFSL 234945**

**Administered by Commonwealth Securities Limited ('CommSec')**

**ABN 60 067 254 399, AFSL 238814**

**CommSec is a wholly owned but non-guaranteed subsidiary of Commonwealth Bank of Australia, and is a Participant of the ASX Group.**

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This PDS is a two-part PDS comprising of Part 1 and Part 2. You must read both parts carefully and completely. You should not apply for this investment unless you have received, read and understood both Part 1 and Part 2 of this PDS.

## Section 1: Key dates and information

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<b>Opening Date</b>	14 February 2011
<b>Closing Date</b>	11 April 2011
<b>Start Date</b>	18 April 2011
<b>Acceptance Notices Mailed</b>	2 May 2011
<b>Maturity Date</b>	25 October 2016
<b>Trade Date</b>	1 November 2016
<b>Settlement Date</b>	4 November 2016

We (Commonwealth Bank) reserve the right to amend the Start Date, the Closing Date (and time), the Maturity Date, the Trade Date or the Settlement Date of this invitation or, if insufficient subscriptions are received to enable us to effectively manage the issue, to withdraw this invitation completely. This right means that we may decide to change the Opening Date or Closing Date to lengthen or shorten the period of time this invitation is open. We are likely to exercise this right where there has been very high demand for Capital Series *Cornerstone* or if a large number of customers ask us to extend the period of time that this invitation is open to deal with changes in pricing or market conditions or to address regulatory or compliance requirements. When making this decision, we always act reasonably and in accordance with standard market practice. If we do change the Start Date or the Maturity Date, the Investment Term may be more or less than what is specified in the Schedule of Terms.

## Section 2: Details of Capital Series *Cornerstone*

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The details of Capital Series *Cornerstone* are provided below and in Part 1 of this PDS. Please read Part 1 of this PDS.

### 2.1 What is Capital Series *Cornerstone*?

Capital Series *Cornerstone* is an investment which aims to provide investors with capital growth and, in the case of Strategy 1, income over a term of 5.5 years. Capital Series *Cornerstone* offers investors the choice of up to two different Strategies:

**Strategy 1** offers:

- › exposure to the Australian share market via a specified basket of shares currently representing 20 of the largest listed companies in Australia by market capitalisation;\*
- › 100% capital protection at maturity;
- › fixed income of 25% payable over the Investment Term (five Coupon payments of 5%); and
- › potential for capital growth if the Underlying Portfolio increases by more than 25% at maturity. In calculating the performance of the Underlying Portfolio, the exposure to each Reference Asset is capped at 70% above the Initial Reference Level at maturity and then the performance of the Underlying Portfolio is reduced by 25% (the value of Coupon payments) to determine the level of capital growth for your Investment.

The Underlying Portfolio for Strategy 1 comprises 20 Reference Assets, being shares representing 20 of the largest listed companies in Australia by market capitalisation. The Reference Assets comprising the Underlying Portfolio are equally weighted.

**Strategy 2** offers:

- › exposure to the Australian share market via the S&P/ASX 200 Index;
- › 100% capital protection at maturity; and
- › potential for capital growth based on exposure to the S&P/ASX200 Index. The exposure to the S&P/ASX 200 Index is capped at 50% above the Initial Reference Level at maturity, with a minimum Participation Rate of 165% at maturity\*\*. Assuming the minimum Participation Rate of 165%, the potential for capital growth is up to 82.5%.

The Underlying Portfolio for Strategy 2 comprises one Reference Asset, which is the S&P/ASX 200 Index. The S&P/ASX 200 Index is a share market index comprised of 200 of the largest listed companies in Australia by market capitalisation.

Please refer to Section 3 in Part 2 of this PDS for more information on the two Strategies.

Capital Series *Cornerstone* is a deferred purchase agreement. For more information, please refer to Section 1.14 “What kind of structure is Capital Series?” in Part 1 of this PDS.

\* According to Bloomberg in December 2010

\*\* The actual Participation Rate will be determined on the Start Date.

## Section 2: Details of Capital Series *Cornerstone* (cont).

### 2.2 What are the features of Capital Series *Cornerstone*?

<b>Investment Term</b>	The term of Capital Series <i>Cornerstone</i> is 5.5 years (subject to clause 13.15 of the Terms of Sale).																		
<b>Capital Protection</b>	<p>In respect of each Strategy, 100% of the Strategy Investment Amount is protected only at maturity, as described in Part 1 of this PDS.</p> <p>For more information, please refer to Section 1.5 “What is capital protection and how does it work?” in Part 1 of this PDS.</p>																		
<b>Potential for capital growth</b>	<p><b>Strategy 1</b> offers exposure to 20 Reference Assets, being shares currently representing 20 of the largest listed companies in Australia by market capitalisation*. Exposure to each Reference Asset is capped at 70% above the Initial Reference Level at maturity and then, the performance of the Underlying Portfolio is reduced by 25%. Capital growth is only achieved if the Underlying Portfolio increases by more than 25% at maturity. This condition means the maximum level of capital growth you can receive on your Investment at maturity will be 45%. In determining the Maturity Value of your Investment, the level of each Reference Asset is only relevant on the Start Date and the Observation Date. If any Reference Asset increases by more than 70% before maturity, your Investment does not terminate.</p> <p><b>Strategy 2</b> offers exposure to the S&amp;P/ASX 200 Index, capped at 50% above the Initial Reference Level at maturity. The Participation Rate for Strategy 2 will be a minimum of 165% (to be determined on the Start Date), which will magnify your Maturity Value. If we assume a Participation Rate of 165%, the maximum level of capital growth you could receive on your investment would be 82.5% (i.e. 50% x 165%). In determining the Maturity Value of your Investment, the level of the S&amp;P/ASX 200 Index is only relevant on the Start Date and the Observation Date. If the S&amp;P/ASX 200 Index increases by more than 50% before maturity, your Investment does not terminate.</p> <p>The Initial Reference Level for each Reference Asset is the Reference Level of the Reference Asset on the Start Date as determined by the Calculation Agent, in its discretion.</p>																		
<b>Coupon payments</b>	<p><b>Strategy 1</b> offers coupons based on your Strategy Investment Amount. The coupons are fixed and not contingent on the performance of the Underlying Portfolio. They are payable on the Coupon Payment Dates in the table below.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Coupon Payment Date</th> <th>Coupon</th> </tr> </thead> <tbody> <tr> <td>Year 1.5</td> <td>25 October 2012</td> <td>A 5.00% coupon is payable on the Coupon Payment Date</td> </tr> <tr> <td>Year 2.5</td> <td>25 October 2013</td> <td>A 5.00% coupon is payable on the Coupon Payment Date</td> </tr> <tr> <td>Year 3.5</td> <td>27 October 2014</td> <td>A 5.00% coupon is payable on the Coupon Payment Date</td> </tr> <tr> <td>Year 4.5</td> <td>26 October 2015</td> <td>A 5.00% coupon is payable on the Coupon Payment Date</td> </tr> <tr> <td>Year 5.5</td> <td>25 October 2016</td> <td>A 5.00% coupon is payable on the Coupon Payment Date</td> </tr> </tbody> </table> <p><b>Strategy 2</b> does not offer coupons.</p>	Year	Coupon Payment Date	Coupon	Year 1.5	25 October 2012	A 5.00% coupon is payable on the Coupon Payment Date	Year 2.5	25 October 2013	A 5.00% coupon is payable on the Coupon Payment Date	Year 3.5	27 October 2014	A 5.00% coupon is payable on the Coupon Payment Date	Year 4.5	26 October 2015	A 5.00% coupon is payable on the Coupon Payment Date	Year 5.5	25 October 2016	A 5.00% coupon is payable on the Coupon Payment Date
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Year 5.5	25 October 2016	A 5.00% coupon is payable on the Coupon Payment Date																	

\* According to Bloomberg in December 2010

<b>Participation Rate</b>	<p>The Participation Rate for Strategy 1 is 100%.</p> <p>The Participation Rate for Strategy 2 will be determined on the Start Date. However, it will be a minimum of 165%.</p> <p>The Participation Rate is used to determine the Maturity Value of your Investment.</p> <p>For more information please refer to Section 1.8 “What is the Participation Rate?” in Part 1 of this PDS.</p>
<b>Delivery Asset</b>	<p>At the commencement of Capital Series <i>Cornerstone</i>, the Delivery Asset on the Maturity Date is one unit in the SPDR S&amp;P/ASX 200 Fund (this is referred to as the Specified Delivery Asset).</p> <p>On the occurrence of an Adjustment Event, we may substitute the Specified Delivery Asset with the Substituted Delivery Asset. The Substituted Delivery Asset may be any Security as determined by us. Please refer to Section 1 in Part 1 of this PDS and clause 9 of the Terms of Sale in Part 1 of this PDS for more information.</p> <p>For further information on the Delivery Asset please go to:  <a href="http://www.spdrs.com.au/etf/fund/fund_detail_STW.html">www.spdrs.com.au/etf/fund/fund_detail_STW.html</a></p>
<b>Minimum Investment Amount</b>	<p>The Minimum Investment Amount is A\$10,000.00 per Strategy.</p>

### 2.3 What happens at maturity of Capital Series *Cornerstone*?

Please refer to Section 4 “What happens at maturity?” in Part 2 of this PDS for more information.

### 2.4 What are the significant benefits, significant disadvantages and significant risks?

There are significant benefits, disadvantages and risks that relate **generally** to Capital Series. Please refer to Section 1.19 “What are the significant benefits?”, Section 1.20 “What are the significant disadvantages?” and Section 1.21 “What are the significant risks?” in Part 1 of this PDS.

There are also significant benefits, disadvantages and risks that relate **specifically** to Capital Series *Cornerstone*.

The significant benefits that relate specifically to Capital Series *Cornerstone* include:

- › If you choose to accept physical delivery of the Delivery Asset, you will have an investment in the SPDR S&P/ASX 200 Fund (subject to any Adjustment Event), which may be a benefit to you.
- › Both Strategies give you the potential to receive capital growth based on the performance of the Reference Assets.
- › In respect of Strategy 1, you will receive fixed coupons during the Investment Term.
- › In respect of each Strategy, 100% of your Investment Amount is protected, but only if your Investment is held to maturity.

The significant disadvantages that relate specifically to Capital Series *Cornerstone* include:

- › If you choose to accept physical delivery of the Delivery Asset, you will have an investment in the SPDR S&P/ASX 200 Fund (subject to any Adjustment Event), which may not be advantageous to you.

The significant risks that relate specifically to Capital Series *Cornerstone* include:

- › In respect of Strategy 1, if on the Maturity Date the final value of your Investment is not higher than your Investment Amount, the only return on your Investment will be the coupons paid to you during the Investment Term. Specifically, the Underlying Portfolio needs to increase by more than 25% at maturity before you can make a return on your Investment (aside from the coupons).
- › In respect of Strategy 2, if on the Maturity Date the final value of your Investment is not higher than your Investment Amount, you will make no return on your Investment.
- › Even though 100% of your Investment Amount is protected at maturity the effects of inflation and time value of money means the amount you invest may be worth less at maturity. For example, assuming an average annual inflation rate of 3%, \$10,000 in five years time would only be worth approximately \$8,600 expressed in today’s dollar terms.

## Section 2: Details of Capital Series *Cornerstone* (cont).

### 2.5 How can I track my investment during the term?

During the term, you can view updates on Capital Series *Cornerstone* by visiting our website:  
[www.commbank.com.au/capitalseries/cornerstone](http://www.commbank.com.au/capitalseries/cornerstone)

You can also view more information on the individual Reference Assets comprising the Underlying Portfolios by visiting the following websites:

**Strategy 1 – shares currently representing 20 of the largest listed companies in Australia by market capitalisation\***  
[www.asx.com.au](http://www.asx.com.au)

**Strategy 2 – S&P/ASX 200 Index**  
[www.standardandpoors.com](http://www.standardandpoors.com)  
[www.asx.com.au](http://www.asx.com.au)

### 2.6 Can I borrow to invest in Capital Series *Cornerstone*?

The Capital Investment Loan is available to fund your Investment (except for superannuation funds). You may borrow up to 100% of your Investment Amount.

The Interest in Advance Loan is available to fund 100% of the yearly interest owing and due under the Capital Investment Loan.

Applications for the Capital Investment Loan and Interest in Advance Loan are subject to Commonwealth Bank's credit approval process.

Indicative interest rates for the Capital Investment Loan and the Interest in Advance Loan are shown in the table below.

Capital Investment Loan	
Variable payable monthly in arrears	9.05% p.a.
Fixed payable monthly in arrears	9.60% p.a.
Fixed payable yearly in advance	9.40% p.a.

  

Interest in Advance Loan	
Fixed payable monthly in arrears	9.35% p.a.

These interest rates are current as at the date of this PDS and are subject to change. The actual interest rates will be determined on the Capital Investment Loan Start Date and the Interest in Advance Loan Start Date, as applicable.

Please refer to Section 2 "The Capital Investment Loan" and Section 3 "The Interest in Advance Loan" in Part 1 of this PDS for more information.

### 2.7 Can my investment in Capital Series *Cornerstone* be terminated early?

Capital Series *Cornerstone* is intended to be a hold to maturity investment. If your Investment is terminated early the costs may be significant and the Early Termination Value may be less than your Investment Amount. You must pay the Early Termination Fee and any Break Costs if they are not in your favour. In addition, there may be adverse tax consequences for you.

Your investment may be terminated before maturity by:

- agreement between you and Commonwealth Bank, or
- Commonwealth Bank, in accordance with the Terms of Sale.

You may request Commonwealth Bank to terminate your Investment early, and if we agree, we will provide you with an indicative quote which will include an estimate of the Break Costs and the Early Termination Fee.

\* According to Bloomberg in December 2010

Commonwealth Bank may terminate your Investment early, following an Early Termination Event. Examples of an Early Termination Event are if you are insolvent, or if any arrangements entered into by us to hedge our obligations cannot be reasonably established, maintained or re-established. When choosing any counterparty for a hedge arrangement, we take into account, among other factors, the size, creditworthiness, and reputation of the counterparty.

Please refer to Section 1.17 “Can my investment be terminated early?” and Section 1.18 “Can Commonwealth Bank terminate the investment early?” in Part 1 of this PDS for more information.

## 2.8 What are the tax implications for Capital Series *Cornerstone*?

A general opinion on the indicative tax treatment for Capital Series investors can be found in Section 4 “Taxation” in Part 1 of this PDS and further information appears in Section 5 “Further tax considerations” in Part 2 of this PDS. You should, however, seek independent professional taxation advice to determine the tax treatment applicable in your particular circumstances.

## 2.9 What are the costs to invest in Capital Series *Cornerstone*?

The following fees apply to Capital Series *Cornerstone*:

<b>Initial Adviser Fee</b>	The amount agreed between you and your adviser, which will be paid to your adviser as an adviser fee
<b>Brokerage Fee</b>	Up to 0.55% (including GST) of the Maturity Value or the Early Termination Value (if you choose to use our Delivery Asset Sale Service at maturity or upon Early Termination)
<b>Early Termination Fee</b>	An amount up to \$500.

## 2.10 What adviser fees will my adviser receive?

We may pay adviser fees to any broker or financial planner or other financial intermediary who introduces you to us if they declare in the Application Form that you have agreed this arrangement with them. These adviser fees include:

Adviser fee	Description
Any Initial Adviser Fee	This fee is an amount agreed between you and your adviser. It is paid by you as part of your Application Amount and is paid to your adviser.
Up to 0.55% (including GST) per annum on the Loan Balance under the Capital Investment Loan	This fee is an amount paid out of our own funds to your adviser and cannot be rebated to you.

We may also reimburse promotional and marketing fees from time to time out of our own funds.

These fees should be disclosed to you by your broker, financial planner or other financial intermediary.

## 2.11 Further information

Terms not defined elsewhere are defined in the Terms of Sale, the Schedule of Terms and the Terms and Conditions of the Loan.

If you have a financial adviser, you should contact them if you have any questions regarding Capital Series *Cornerstone* or to obtain a copy of this PDS free of charge.

If you do not have a financial adviser, you can contact us using the details below if you have any questions regarding Capital Series *Cornerstone* or to obtain a paper copy of this PDS free of charge:

Phone: 13 15 20

Email: [capitalseries@cba.com.au](mailto:capitalseries@cba.com.au)

Internet: [www.commbank.com.au/capitalseries/cornerstone](http://www.commbank.com.au/capitalseries/cornerstone)

# Section 3: Information on the Strategies

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In considering the below information you should remember:

- › Past performance is not a reliable indicator of future performance. The historical returns achieved by the Underlying Portfolios are not reliable indicators of future performance for the Underlying Portfolios or your Investment.
- › Generally the higher the potential return for an investment, the higher the corresponding volatility or risk and the greater the chance of substantial fluctuations in returns over time.

### Reference Asset Disclaimers – Each of the Reference Assets in respect of Strategy 1

In this paragraph and the following two paragraphs, Reference Asset refers to each of the shares representing 20 of the largest listed companies in Australia by market capitalisation\* in respect of Strategy 1, and Reference Asset Provider refers to the Australian Securities Exchange Limited.

Capital Series *Cornerstone* is not sponsored, endorsed, sold or promoted by any Reference Asset Provider and no Reference Asset Provider makes any representation, condition or warranty, express or implied, to investors in Capital Series *Cornerstone* or any member of the public regarding advisability of investing in securities generally or in Capital Series *Cornerstone* particularly, or the ability of any Reference Asset to track general market performance.

Each Reference Asset is determined, composed, calculated, compiled, published and managed, as the case may be, by the relevant Reference Asset Provider without regard to Commonwealth Bank or Capital Series *Cornerstone*. No Reference Asset Provider has any obligation to take the needs of Commonwealth Bank or investors in Capital Series *Cornerstone* into consideration in determining, composing, calculating, compiling, publishing or managing, as the case may be, any Reference Asset. No Reference Asset Provider is responsible for or has participated in the determination of the timing of, prices at, or quantities of Capital Series *Cornerstone* to be issued or in the determination or calculation of the equation by which Capital Series *Cornerstone* is to be converted into cash. No Reference Asset Provider has any obligation or liability in connection with the administration or marketing of Capital Series *Cornerstone*.

### Reference Asset Disclaimers – S&P/ASX 200 Index (in respect of Strategy 2)

Capital Series *Cornerstone* is not sponsored, endorsed, sold or promoted by Standard & Poor's ("S&P") or its third party licensors. Neither S&P nor its third party licensors makes any representation or warranty, express or implied, to the owners of Capital Series *Cornerstone* or any member of the public regarding the advisability of investing in securities generally or in Capital Series *Cornerstone* particularly or the ability of the S&P/ASX 200 Index to track general stock market performance. S&P's and its third party licensors only relationship to Commonwealth Bank is the licensing of certain trademarks and trade names of S&P and the third party licensors and of the S&P/ASX 200 Index which is determined, composed and calculated by S&P or its third party licensors without regard to Commonwealth Bank or Capital Series *Cornerstone*. S&P and its third party licensors have no obligation to take the needs of Commonwealth Bank or the owners of Capital Series *Cornerstone* into consideration in determining, composing or calculating the S&P/ASX 200 Index. Neither S&P nor its third party licensors is responsible for and has not participated in the determination of the prices and amount of Capital Series *Cornerstone* or the timing of the issuance or sale of Capital Series *Cornerstone* or in the determination or calculation of the equation by which Capital Series *Cornerstone* is to be converted into cash. S&P has no obligation or liability in connection with the administration, marketing or trading of Capital Series *Cornerstone*.

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\* According to Bloomberg in December 2010

## Strategy 1

Underlying Portfolio	Strategy Investment Amount protected at maturity	Potential for capital growth	Coupon payments	Investment Term
An equally weighted specified basket of shares currently representing 20 of the largest listed companies in Australia by market capitalisation as set out on page 10.	100%	Up to 45%, only if the performance of the Underlying Portfolio is greater than 25% at maturity.  Exposure to each Reference Asset is capped at 70% above the Initial Reference Level at maturity and the performance of the Underlying Portfolio is then reduced by 25% to recognise the 5 fixed coupons paid annually.	5.00% starting from Year 1.5	5.5 years

Strategy 1 offers capital protection of 100% of the Strategy Investment Amount at maturity and aims to provide Investors with exposure to the performance of shares currently representing 20 of the largest listed companies in Australia by market capitalisation\*. Each Reference Asset in the Underlying Portfolio is equally weighted. The exposure to each Reference Asset is capped at 70% above the Initial Reference Level at maturity. However, the performance of the Underlying Portfolio is then reduced by 25%. This reduction means that capital growth is only achieved if the performance of the Underlying Portfolio is greater than 25% at maturity, and the maximum level of capital growth you can receive on your Investment at maturity will be 45%. In determining the Maturity Value of your Investment, the level of each Reference Asset is only relevant on the Start Date and the Observation Date. If any Reference Asset increases by more than 70% before maturity, your Investment does not terminate.

Strategy 1 also offers fixed coupon payments over the Investment Term. Coupons are payable based on your Strategy Investment Amount. Coupons are not contingent on the performance of the Reference Assets in the Underlying Portfolio, and are payable on the Coupon Payment Dates.

Year	Coupon Payment Date	Coupon
Year 1.5	25 October 2012	A 5.00% coupon is payable on the Coupon Payment Date.
Year 2.5	25 October 2013	A 5.00% coupon is payable on the Coupon Payment Date
Year 3.5	27 October 2014	A 5.00% coupon is payable on the Coupon Payment Date
Year 4.5	26 October 2015	A 5.00% coupon is payable on the Coupon Payment Date
Year 5.5	25 October 2016	A 5.00% coupon is payable on the Coupon Payment Date

\* According to Bloomberg in December 2010

### Section 3: Information on the Strategies (cont).

The Reference Assets comprising the Underlying Portfolio are shown below. These Reference Assets are shares currently representing 20 of the largest listed companies in Australia by market capitalisation according to Bloomberg in December 2010.

Share and ASX Code	
AMP Limited (AMP)	Origin Energy Limited (ORG)
ANZ Banking Group Limited (ANZ)	QBE Insurance Group Limited (QBE)
BHP Billiton Limited (BHP)	Rio Tinto Limited (RIO)
Brambles Limited (BXB)	Suncorp-Metway Limited (SUN)
Commonwealth Bank of Australia (CBA)	Telstra Corporation Limited (TLS)
CSL Limited (CSL)	Westpac Banking Corporation (WBC)
Foster's Group Limited (FGL)	Westfield Group (WDC)
Macquarie Group Limited (MQG)	Wesfarmers Limited (WES)
National Australia Bank Limited (NAB)	Woolworths Limited (WOW)
Newcrest Mining Limited (NCM)	Woodside Petroleum Limited (WPL)

#### Information about the Reference Assets

##### AMP Limited (AMP)

AMP provides life insurance, superannuation, asset management products, pensions, retirement planning and other diversified financial services throughout Australia and New Zealand.

##### ANZ Banking Group Limited (ANZ)

ANZ is an international bank with activities in general banking, mortgage and instalment lending, life insurance, leasing, hire purchase, general finance, investment banking, investment and portfolio management and advisory services, nominee and custodian services, stock broking and executor and trustee services.

##### BHP Billiton Limited (BHP)

BHP is an international resources company with principal business lines being mineral exploration and production, including coal, iron ore, gold, titanium, ferroalloys, nickel and copper concentrate, as well as petroleum exploration, production, and refining.

##### Brambles Limited (BXB)

BXB is a global support services group which provides pallet and plastic container pooling services and information management services.

##### Commonwealth Bank of Australia (CBA)

CBA provides banking, life insurance and related services for individuals, small businesses and medium sized commercial enterprises. CBA provides corporate and general banking, international financing, institutional banking and stock broking and funds management such as superannuation product.

##### CSL Limited (CSL)

CSL develops, manufactures and markets human pharmaceutical and diagnostic products derived from human plasma. The Company's products include pediatric and adult vaccines, infection and pain medicine, skin disorder remedies, antivenoms, anticoagulants and immunoglobulins.

##### Foster's Group Limited (FGL)

FGL manufactures and markets alcoholic and non-alcoholic beverages including beer and wine.

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### **Macquarie Group Limited (MQG)**

MQG is an international investment bank providing various banking and financial services, including lease and leveraged financing, acceptance of deposits, underwriting services, foreign currency services and corporate and financial advice.

### **National Australia Bank Limited (NAB)**

NAB is an international banking group which operates in Australia, New Zealand, Europe, Asia and the United States. NAB offers banking services, credit and access card facilities, leasing, housing and general finance, international and investment banking, wealth and funds management, life insurance and custodian, trustee and nominee services.

### **Newcrest Mining Limited (NCM)**

NCM is a gold mining, exploration and production company. NCM's exploration projects include Telfer and Boddington which are located in Western Australia.

### **Origin Energy Limited (ORG)**

ORG is involved in the exploration and production of oil and gas and the retailing of natural gas, liquefied petroleum gas (LPG) and electricity. ORG also participates in natural gas-fired cogeneration and power generation along with infrastructure investment and management services.

### **QBE Insurance Group Limited (QBE)**

QBE is an insurance company which underwrites most forms of commercial and industrial insurance policies, as well as individual policies. QBE also manages Lloyds syndicates and provides investment management services.

### **Rio Tinto Limited (RIO)**

RIO is an international mining company. RIO has interests in mining for aluminium, borax, coal, copper, gold, iron ore, lead, silver, tin, uranium, zinc, titanium dioxide feedstock, diamonds, talc and zircon.

### **Suncorp-Metway Limited (SUN)**

SUN offers retail and business banking, life and general insurance, superannuation and funds management services, including personal banking and loans, personal insurance products, credit cards, pension savings accounts, term deposits, property development finance, commercial lending, investments and lease financing.

### **Telstra Corporation Limited (TLS)**

TLS is a full service domestic and international telecommunications provider for Australia. TLS provides telephone exchange lines to homes and businesses, supplying local, long distance and international telephone calls and supplying mobile telecommunications services.

### **Westpac Banking Corporation (WBC)**

WBC offers general and savings banking, including lending, deposit taking and payment services. WBC also provides investment portfolio management and advice, unit trust and superannuation fund management, nominee and custodian facilities, insurance services, consumer finance, leasing, general finance, foreign exchange dealing and money market services.

### **Westfield Group (WDC)**

WDC is a property trust that invests in, leases and manages retail shopping centres in Australia, New Zealand, the United States and the United Kingdom.

### **Wesfarmers Limited (WES)**

WES owns retail chains, operates mines, writes insurance, manufactures and distributes industrial products, manufactures fertilizers and chemicals, and distributes liquefied petroleum gas and medical and industrial gases.

### Section 3: Information on the Strategies (cont).

#### Woolworths Limited (WOW)

WOW operates supermarkets, specialty and discount department stores, liquor and electronics stores throughout Australia. WOW also manufactures processed foods, exports and wholesales food and offers petrol retailing.

#### Woodside Petroleum Limited (WPL)

WPL explores for and produces oil and gas from offshore and onshore facilities located in Western Australia and Northern Territory. WPL operates numerous oil and gas fields and pipelines throughout Australia, United States and Mauritania.

Source: Bloomberg

#### Strategy 2

Underlying Portfolio	Strategy Investment Amount protected at maturity	Potential for capital growth	Coupon Payments	Investment Term
S&P/ASX 200 Index	100%	Up to 82.5%*. Exposure is capped at 50% above the Initial Reference Level at maturity with a minimum Participation Rate of 165%.*	Nil	5.5 years

\* Based on a minimum Participation Rate of 165%, which is determined on the Start Date.

Strategy 2 offers capital protection of 100% of the Strategy Investment Amount at maturity and aims to provide Investors with enhanced exposure to the performance of the S&P/ASX 200 Index. This exposure is capped at a maximum level of 50% above the Initial Reference Level at maturity. In this Strategy, the Participation Rate will magnify your Maturity Value. The Participation Rate for Strategy 2 will be a minimum of 165% (to be determined on the Start Date). Assuming a Participation Rate of 165%, the maximum level of capital growth you could receive on your Investment would be 82.5% (i.e. 50% x 165%). In determining the Maturity Value of your Investment, the level of the S&P/ASX 200 Index is only relevant on the Start Date and the Observation Date.

If the S&P/ASX 200 Index increases by more than 50% before maturity, your Investment does not terminate.

Coupons are not payable under Strategy 2.

#### Information about the S&P/ASX 200 Index

The S&P/ASX 200 Index is a capitalisation-weighted index representing 200 of the largest listed companies on the Australian Securities Exchange. It is the primary representation of the Australian equity market and covers a large proportion of Australian equity market capitalisation.

The S&P/ASX 200 Index is recognised as the investable benchmark for the Australian equity market. The S&P/ASX 200 Index takes into account price movements in the relevant shares excluding dividends, bonuses, buyback and other offers that may affect the price of the shares.

The historical performance of the S&P/ASX 200 Index since June 2004 is shown in the graph below.

### S&P/ASX 200 Index



Source: Bloomberg

Note that past performance is not a reliable indicator of future performance.

The top ten constituents of the S&P/ASX 200 Index as at December 2010 are shown below:

Security Name	
BHP Billiton Limited	Rio Tinto
Commonwealth Bank of Australia	Wesfarmers
Westpac Banking Corporation	Woolworths
ANZ Banking Group Limited	Newcrest Mining Limited
National Australia Bank Limited	Telstra Corporation Limited

Source: IRESS

## Section 4: What happens at maturity?

At maturity, the Maturity Value of your Investment is calculated and you can choose to either:

- (a) accept physical delivery of the Delivery Parcel; or
- (b) receive the Sale Proceeds from the sale of the Delivery Parcel using our Delivery Asset Sale Service.

Please refer to Section 1.12 “What are my options at maturity?” in Part 1 of this PDS for more information.

The following sections provide information about how the Maturity Value of your Investment is calculated.

### 4.1 Calculating the Strategy Portfolio Return

The levels used in these examples are for illustrative purposes only and do not represent, and should not be taken to represent, our view of what the levels on those days might be, or what you should expect the levels to be on those days, or the manner in which the levels might move between those days. In these examples you are reliant on the ability of the Commonwealth Bank to meet its obligations to you under the terms of each transaction, which in the case of Capital Series are unsecured obligations.

The Maturity Value of your Investment is the sum of the Strategy Maturity Value for each Strategy you choose to invest in.

The Strategy Maturity Value is determined using the Strategy Portfolio Return that is calculated for each Strategy you choose to invest in. The Strategy Portfolio Return is calculated differently depending on the Strategy. The examples below demonstrate how the Strategy Portfolio Return is calculated.

#### Strategy 1

On the Maturity Date, the Strategy Portfolio Return is calculated in accordance with the steps set out below.

##### Example 1

Step	Example		
	Reference Asset	Initial Reference Level	Final Reference Level
<b>Step 1:</b> The Initial Reference Level for each Reference Asset is determined on the Start Date.			
<b>Step 2:</b> The Final Reference Level for each Reference Asset is determined on the Observation Date.	AMP	\$5.40	\$7.71
	ANZ	\$23.56	\$30.37
	BHP	\$45.57	\$79.59
	BXB	\$7.11	\$6.54
	CBA	\$50.60	\$79.00
	CSL	\$36.75	\$36.55
	FGL	\$5.65	\$8.08
	MQG	\$38.88	\$90.90
	NAB	\$24.83	\$25.34
	NCM	\$40.63	\$59.34
	ORG	\$17.47	\$23.75
	QBE	\$18.10	\$21.72
	RIO	\$85.38	\$138.47
	SUN	\$8.57	\$15.00
	TLS	\$2.77	\$5.07

Step	Example		
	Reference Asset	Initial Reference Level	Final Reference Level
<b>Step 2 (cont).</b>	WBC	\$23.69	\$40.74
	WDC	\$9.88	\$9.58
	WES	\$31.72	\$52.74
	WOW	\$26.21	\$48.30
	WPL	\$43.28	\$39.09
<b>Step 3:</b> The Reference Asset Return for each Reference Asset is calculated. The Reference Asset Return is the lower of: (a) (Final Reference Level – Initial Reference Level) / Initial Reference Level (expressed as a percentage); and (b) 70.00% In this example, the Reference Asset Return for each Reference Asset is shown in the table to the right.	Reference Asset	Performance of the Reference Asset	Final Reference Level
	AMP	42.78%	42.78%
	ANZ	28.90%	28.90%
	BHP	74.65%	70.00%*
	BXB	-8.02%	-8.02%
	CBA	56.13%	56.13%
	CSL	-0.54%	-0.54%
	FGL	43.01%	43.01%
	MQG	133.80%	70.00%*
	NAB	2.05%	2.05%
	NCM	46.05%	46.05%
	ORG	35.95%	35.95%
	QBE	20.00%	20.00%
	RIO	62.18%	62.18%
	SUN	75.03%	70.00%*
	TLS	83.03%	70.00%*
	WBC	71.97%	70.00%*
	WDC	-3.04%	-3.04%
	WES	66.27%	66.27%
	WOW	84.28%	70.00%*
	WPL	-9.68%	-9.68%
	<b>Total</b>		<b>802.04%</b>
	* The Reference Asset Return in relation to these Reference Assets has been limited to the maximum of 70.00%.		
<b>Step 4:</b> The Strategy Portfolio Return is calculated, which is the equally weighted average of the Reference Asset Returns less 25%, multiplied by the Participation Rate. This calculation can be expressed by the formula: [(Sum of the Reference Asset Returns / 20) – 25%] x Participation Rate, expressed as a percentage In this example the Strategy Portfolio Return is <b>15.10%</b> [(802.04% / 20) – 25%] x 100%			15.10%

## Section 4: What happens at maturity? (cont).

### Strategy 2

On the Maturity Date, the Strategy Portfolio Return is calculated in accordance with the steps set out below.

#### Example 2

(assumes an increase in the Underlying Portfolio of less than 50% and a Participation Rate of 165%\*)

Step	Example
<b>Step 1:</b> The Initial Reference Level of the S&P/ASX 200 Index is determined on the Start Date.	4,800
<b>Step 2:</b> The Final Reference Level of the S&P/ASX 200 Index is determined on the Observation Date.	7,120
<b>Step 3:</b> The Reference Asset Return is calculated. The Reference Asset Return is the lower of: (a) $(\text{Final Reference Level} - \text{Initial Reference Level}) / \text{Initial Reference Level}$ (expressed as a percentage); = $(7,120 - 4,800) / 4,800$ = 48.33% and (b) 50.00%	48.33%
In this example, the Reference Asset Return is <b>48.33%</b>	
<b>Step 4:</b> The Strategy Portfolio Return is calculated, which is the Reference Asset Return multiplied by the Participation Rate.* This calculation can be expressed by the formula: Reference Asset Return x Participation Rate (expressed as a percentage) In this example, the Strategy Portfolio Return is 79.74% (48.33% x 165%)	79.74%

\* The actual Participation Rate is determined on the Start Date and may be higher than shown in this example.

#### Example 3

(assumes an increase in the Underlying Portfolio of more than 50% and a Participation Rate of 165%\*)

Step	Example
<b>Step 1:</b> The Initial Reference Level of the S&P/ASX 200 Index is determined on the Start Date.	4,800
<b>Step 2:</b> The Final Reference Level of the S&P/ASX 200 Index is determined on the Observation Date.	7,650
<b>Step 3:</b> The Reference Asset Return is calculated. The Reference Asset Return is the lower of: (a) $(\text{Final Reference Level} - \text{Initial Reference Level}) / \text{Initial Reference Level}$ (expressed as a percentage); = $(7,650 - 4,800) / 4,800$ = 59.38% and (b) 50.00%	50.00%
In this example, the Reference Asset Return is <b>50.00%</b>	
<b>Step 4:</b> The Strategy Portfolio Return is calculated, which is the Reference Asset Return multiplied by the Participation Rate. This calculation can be expressed by the formula: Reference Asset Return x Participation Rate (expressed as a percentage) In this example, the Strategy Portfolio Return is <b>82.50%</b> (50.00% x 165%)	82.50%

\* The actual Participation Rate is determined on the Start Date and may be higher than shown in this example.

## 4.2 Calculating the Maturity Value

The Strategy Maturity Value is calculated using the Strategy Portfolio Return. If you choose to invest in more than one Strategy, each Strategy Maturity Value is summed to determine the Maturity Value.

In respect of Strategy 1 any coupon payment which is received during the Investment Term is in addition to the Maturity Value.

In the examples below, we assume you have chosen to invest in both Strategies for the amounts below. The Strategy Capital Protection Amount is also stated below.

	Strategy Investment Amount	Strategy Capital Protection Amount
Strategy 1	\$20,000.00	\$20,000.00
Strategy 2	\$20,000.00	\$20,000.00
Investment Amount	\$40,000.00 (\$20,000.00 + \$20,000.00)	
Total Capital Protection Amount	\$40,000.00 (\$20,000.00 + \$20,000.00)	

### Example 6

This example assumes an Investment in both Strategies and assumes a positive return for each Strategy

The Strategy Portfolio Returns are:

**Strategy 1:** 15.10%

**Strategy 2:** 79.74%

The Strategy Maturity Values are below:

**Strategy 1** is the greater of:

(a) your Strategy Investment Amount + (your Strategy Investment Amount x Strategy Portfolio Return)  
= \$20,000.00 + (\$20,000.00 x 15.10%)  
= \$20,000.00 + \$3,020.00  
= \$23,020.00

and

(b) your Strategy Capital Protection Amount  
= \$20,000.00

In this example, if you invested \$20,000 in Strategy 1, the Strategy Maturity Value would be \$23,020.00.

**Strategy 2** is the greater of:

(a) your Strategy Investment Amount + (your Strategy Investment Amount x Strategy Portfolio Return)  
= \$20,000.00 + (\$20,000.00 x 79.74%)  
= \$20,000.00 + \$15,948.00  
= \$35,948.00

and

(b) your Strategy Capital Protection Amount  
= \$20,000.00

In this example, if you invested \$20,000 in Strategy 2, the Strategy Maturity Value would be \$35,948.00.

### Section 4: What happens at maturity? (cont).

The Maturity Value of your Investment is the sum of each Strategy Maturity Value.

$$\begin{aligned}\text{Maturity Value} &= \$23,020.00 + \$35,948.00 \\ &= \$58,968.00\end{aligned}$$

Therefore, the Maturity Value of your Investment is \$58,968.00.

**Result:** You would receive your Investment Amount and the capital growth generated over the term. Depending on your choice, you will receive either physical delivery of the Delivery Parcel to the value of \$58,968.00, or a cash payment (the Sale Proceeds) of \$58,968.00. If you choose to receive Sale Proceeds, the Brokerage Fee will be charged to you separately.

#### Example 7

This example assumes an Investment in both Strategies and assumes a 0.00% return for each Strategy.

The Strategy Portfolio Returns are:

**Strategy 1:** 0.00%

**Strategy 2:** 0.00%

The Strategy Maturity Values are below.

**Strategy 1** is the greater of:

$$\begin{aligned}\text{(a)} \quad &\text{your Strategy Investment Amount} + (\text{your Strategy Investment Amount} \times \text{Strategy Portfolio Return}) \\ &= \$20,000.00 + (\$20,000.00 \times 0.00\%) \\ &= \$20,000.00 + \$0.00 \\ &= \$20,000.00\end{aligned}$$

and

$$\begin{aligned}\text{(b)} \quad &\text{your Strategy Capital Protection Amount} \\ &= \$20,000.00\end{aligned}$$

In this example, if you invested \$20,000 in Strategy 1, the Strategy Maturity Value would be \$20,000.00.

**Strategy 2** is the greater of:

$$\begin{aligned}\text{(a)} \quad &\text{your Strategy Investment Amount} + (\text{your Strategy Investment Amount} \times \text{Strategy Portfolio Return}) \\ &= \$20,000.00 + (\$20,000.00 \times 0.00\%) \\ &= \$20,000.00 + \$0.00 \\ &= \$20,000.00\end{aligned}$$

and

$$\begin{aligned}\text{(b)} \quad &\text{your Strategy Capital Protection Amount} \\ &= \$20,000.00\end{aligned}$$

In this example, if you invested \$20,000 in Strategy 2, the Strategy Maturity Value would be \$20,000.00.

The Maturity Value of your Investment is the sum of each Strategy Maturity Value.

$$\begin{aligned}\text{Maturity Value} &= \$20,000.00 + \$20,000.00 \\ &= \$40,000.00\end{aligned}$$

Therefore, the Maturity Value of your Investment is \$40,000.00.

**Result:** There would be no capital growth generated over the term. Depending on your choice, you will receive either physical delivery of the Delivery Parcel to the value of \$40,000.00, or a cash payment (the Sale Proceeds) of \$40,000.00. If you choose to receive Sale Proceeds, the Brokerage Fee will be charged to you separately.

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### Example 8

This example assumes an Investment in both Strategies and assumes a negative return for each Strategy.

The Strategy Portfolio Returns are:

**Strategy 1:** -35.00%

**Strategy 2:** -29.00%

The Strategy Maturity Values are below.

**Strategy 1** is the greater of:

(a) your Strategy Investment Amount + (your Strategy Investment Amount x Strategy Portfolio Return)  
= \$20,000.00 + (\$20,000.00 x -35.00%)  
= \$20,000.00 + (-\$7,000.00)  
= \$13,000.00

and

(b) your Strategy Capital Protection Amount  
= \$20,000.00

In this example, if you invested \$20,000 in Strategy 1, the Strategy Maturity Value would be \$20,000.00.

**Strategy 2** is the greater of:

(a) your Strategy Investment Amount + (your Strategy Investment Amount x Strategy Portfolio Return)  
= \$20,000.00 + (\$20,000.00 x -29.00%)  
= \$20,000.00 + (-\$5,800.00)  
= \$14,200.00

and

(b) your Strategy Capital Protection Amount  
= \$20,000.00

In this example, if you invested \$20,000 in Strategy 2, the Strategy Maturity Value would be \$20,000.00.

The Maturity Value of your Investment is the sum of each Strategy Maturity Value.

$$\begin{aligned} \text{Maturity Value} &= \$20,000.00 + \$20,000.00 \\ &= \$40,000.00 \end{aligned}$$

Therefore, the Maturity Value of your Investment is \$40,000.00.

**Result:** There would be no capital growth generated over the term. However, the capital protection feature means that your Maturity Value is equal to your Investment Amount. Depending on your choice, you will receive either physical delivery of the Delivery Parcel to the value of \$40,000.00, or a cash payment (the Sale Proceeds) of \$40,000.00. If you choose to receive Sale Proceeds, the Brokerage Fee will be charged to you separately.

If you have a financial adviser, please contact them if you require further information. If you do not have a financial adviser, call us on **13 15 20** if you require further information.

# Section 5: Further tax considerations

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Commonwealth Bank does not provide taxation advice. Taxation law is complex and its application will depend on your circumstances.

Section 4 "Tax considerations" in Part 1 of this PDS contains a tax opinion from Greenwoods & Freehills Pty Limited ("G&F") which discusses the indicative tax treatment for Capital Series investors, including the ATO's determinations on deferred purchase agreements (the "G&F Tax Opinion").

Greenwoods & Freehills Pty Limited have confirmed that the information contained in the G&F Tax Opinion is relevant and accurate in relation to Capital Series *Cornerstone*. However, the supplementary G&F opinion set out below (the "Supplementary G&F Tax Opinion") contains some additional considerations in respect of an investment in Strategy 2.

Investors should be aware that it is possible that the ATO could take a different view to the views expressed in the G&F Tax Opinion and in the Supplementary G&F Tax Opinion, and should seek independent financial and taxation advice before making a decision whether to invest in Capital Series.

# Tax Opinion

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## Greenwoods & Freehills

The Directors  
Commonwealth Bank of Australia  
Tower 1  
201 Sussex Street  
SYDNEY NSW 2000

14 February 2011

Dear Directors

### **Capital Series *Cornerstone* Australian taxation opinion**

We were provided on 14 February 2011 with the Part 2 Product Disclosure Statement to be dated on or about 14 February 2011, in relation to the issue of interests in the Capital Series *Cornerstone* investment product (the "**Part 2 PDS**").

We have previously issued the tax opinion in Section 4 "Tax Considerations" in the Part 1 Capital Series Product Disclosure Statement dated 23 August 2010 (the "**Part 1 PDS**").

This opinion sets out some additional considerations in respect of an investment in Strategy 2.

#### **1 Investment in Strategy 2**

The additional considerations set out below apply to investors who enter into the Capital Series *Cornerstone* investment for the purpose of realising a long term return from the Delivery Assets (ie, hold their investment on capital account for tax purposes). In particular, it is assumed that Investors intend to take physical delivery of their Delivery Assets on the Settlement Date, and to hold the Delivery Assets for the purpose of deriving assessable income (ie, assessable trust distributions).

#### ***Tax treatment of gains arising from an investment in Capital Series***

##### ***Delivery of the Delivery Assets***

The analysis contained in TD 2008/22 makes clear that the ATO's view that:

- an investment in a DPA involves two assets for CGT purposes, and
- CGT event C2 happens when the delivery assets are delivered to an investor,

is predicated upon the reference asset and the delivery asset providing the investor with different economic exposures.

Arguably, TD 2008/22 does not set out the Commissioner's view of the CGT consequences arising where there is substantial identity between the economic exposure that the reference asset and the delivery asset provide to the investor, as is the case under Strategy 2.

Doc 510124091.3  
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Greenwoods & Freehills Pty Limited ABN 60 003 146 852

## Tax Opinion (cont).

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### Greenwoods & Freehills

Having regard to the particular circumstances of Strategy 2:

- the value and number of Delivery Assets acquired by the Investor at the Settlement Date depend on the performance of the Delivery Asset in the period between the Start Date and the Maturity Date; and
- there is substantial identity between the economic exposure that the Delivery Asset (ie, units in the SPDR S&P/ASX 200 Fund) and the Underlying Portfolio (ie, the S&P/ASX 200 Index) provide to the Investor.

That is, adapting the analysis contained in TD 2008/22 to the particular circumstances of Strategy 2 it can be argued that:

- the rights of the Investor under Strategy 2 are structured to provide the Investor with an exposure to nominated price movements directly related to the performance of the Delivery Asset in the period between the Start Date and the Maturity Date; and
- accordingly, the rights enjoyed by the Investor under Strategy 2 exist merely to facilitate delivery to the Investor of the Delivery Assets.

On this view, it is appropriate to “look through” the Investor’s DPA contractual rights and, consequently, the Investor may be regarded as having only one set of CGT assets, being the Delivery Assets.

There is no directly relevant case law on point, nor is there any definitive ATO guidance on point.

We note that the ATO may not accept the “look through” approach, in which case the tax opinion in Section 4 “Tax Considerations” in the Part 1 PDS sets out the implications to an Investor in Strategy 2. Investors should seek their own taxation advice if they are uncertain about the applicability of TD 2008/22 to Strategy 2.

If an Investor, in consultation with their independent tax adviser, considers that the “look through” approach is appropriate, then CGT event C2 would not happen when the Delivery Assets are delivered to an Investor in Strategy 2 on the Settlement Date.

Rather, the following analysis would apply instead.

#### *Sale of the Delivery Assets*

A CGT event (known as CGT event A1) should happen when the Investor sells their Delivery Assets, which may result in a capital gain or capital loss.

A capital gain would arise on the disposal of the Delivery Assets equal to any excess of the disposal proceeds over the Investor’s CGT cost base upon entering into Strategy 2.

Where under the “look through” approach an Investor is regarded as having only one set of CGT assets, being the Delivery Assets, their cost base includes the initial Investment Amount (plus any Initial Adviser Fee and any applicable brokerage costs and non-deductible professional advisory fees) paid by an Investor upon entry into Strategy 2.

Any capital loss realised by an Investor upon the disposal of the Delivery Assets (ie, where the disposal proceeds are less than the Investor’s reduced cost base for Strategy 2) may be applied to offset capital gains (before any CGT discount concession) realised in the same year of income or may be carried forward to future years. Capital losses are not able to be applied against ordinary income.

Where under the “look through” approach an Investor is regarded as having only one set of CGT assets, being the Delivery Assets, their reduced cost base will include the initial Investment Amount (plus any Initial Adviser Fee and any applicable brokerage costs and non-deductible professional advisory fees) paid by an Investor upon entry into Strategy 2.

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**Greenwoods  
& Freehills**

*CGT discount concession*

An Investor who is a natural person, a trust, or a complying superannuation entity may be eligible for the CGT discount concession on any capital gain arising upon disposal of the Delivery Assets (after first offsetting any capital losses). Individuals and trustees are entitled to a discount of 50%, while complying superannuation entities are entitled to a discount of 33.33% of the net gain.

The period from the Start Date until the time at which the Delivery Assets are to be delivered is longer than 12 months. Accordingly, the CGT discount concession should apply to eligible Investors to reduce capital gains made in relation to a disposal of their Delivery Assets. Restated, the 12 month holding period for eligible Investors commences at the Start Date, and not upon delivery of the Delivery Assets.

Yours sincerely



**Tony Frost**  
Director  
Greenwoods & Freehills Pty Limited

# Section 6: Schedule of Terms for Capital Series *Cornerstone*

This Schedule of Terms constitutes the specific terms for Capital Series *Cornerstone*.

You should read both Part 1 and Part 2 of this PDS completely, including the Terms of Sale before you make a decision to invest in Capital Series *Cornerstone*.

<b>Issuer</b>	Commonwealth Bank of Australia ("Commonwealth Bank")
<b>Broker to the Issuer</b>	Commonwealth Securities Limited ("CommSec")
<b>Investment Term</b>	5.5 years (subject to clause 13.15 of the Terms of Sale)
<b>Strategies offered under this PDS</b>	Strategy 1 Strategy 2
<b>Underlying Portfolio</b>	In respect of Strategy 1 the basket of Reference Assets each with an equal weighting. In respect of Strategy 2, the Underlying Portfolio is the same as the Reference Asset.
<b>Reference Asset</b>	In respect of Strategy 1, each of: AMP Limited (AMP); ANZ Banking Group Limited (ANZ); BHP Billiton Limited (BHP); Brambles Limited (BXB); Commonwealth Bank of Australia (CBA); CSL Limited (CSL); Foster's Group Limited (FGL); Macquarie Group Limited (MQG); National Australia Bank Limited (NAB); Newcrest Mining Limited (NCM); Origin Energy Limited (ORG); QBE Insurance Group Limited (QBE); Rio Tinto Limited (RIO); Suncorp-Metway Limited (SUN); Telstra Corporation Limited (TLS); Westpac Banking Corporation (WBC); Westfield Group (WDC); Wesfarmers Limited (WES); Woolworths Limited (WOW); and Woodside Petroleum Limited (WPL). In respect of Strategy 2, S&P/ASX 200 index
<b>Issue Size</b>	Proposed A\$10 million dollars per Strategy
<b>Minimum Investment Amount</b>	A\$10,000 per Strategy
<b>Initial Reference Level</b>	The Reference Level of the Reference Asset on the Start Date as determined by the Calculation Agent, in its discretion.
<b>Final Reference Level</b>	The Reference Level of the Reference Asset on the Observation Date, as determined by the Calculation Agent, in its discretion.

<b>Determined Level</b>	Not applicable to Capital Series <i>Cornerstone</i>												
<b>Observation Date</b>	Five Business Days prior to Maturity Date												
<b>Reference Asset Return</b>	<p>In respect of Strategy 1, the Reference Asset Return for each Reference Asset is calculated as the lower of:</p> <p>(a) (Final Reference Level – Initial Reference Level) / Initial Reference Level (expressed as a percentage);</p> <p>and</p> <p>(b) 70.00%</p> <p>In respect of Strategy 2, the Reference Asset Return is calculated as the lower of:</p> <p>(a) (Final Reference Level – Initial Reference Level) / Initial Reference Level (expressed as a percentage);</p> <p>and</p> <p>(b) 50.00%</p>												
<b>Strategy Portfolio Return</b>	<p>In respect of Strategy 1, the Strategy Portfolio Return is calculated as the equally weighted average of the Reference Asset Returns less 25%, multiplied by the Participation Rate.</p> <p>This calculation can be expressed by the formula:</p> <p><math>[(\text{Sum of the Reference Asset Returns} / 20) - 25\%] \times \text{Participation Rate}</math> (expressed as a percentage)</p> <p>In respect of Strategy 2, the Strategy Portfolio Return is calculated as the Reference Asset Return multiplied by the Participation Rate.</p> <p>This calculation can be expressed by the formula:</p> <p><math>\text{Reference Asset Return} \times \text{Participation Rate}</math> (expressed as a percentage)</p>												
<b>Participation Rate</b>	<p>The Participation Rate for Strategy 1 is 100%.</p> <p>The Participation Rate for Strategy 2 will be determined on the Start Date and will be a minimum of 165%.</p> <p>For more information please refer to Section 1.8 “What is the Participation Rate?” in Part 1 of this PDS.</p>												
<b>Total Capital Protection Amount</b>	The sum of the Strategy Capital Protection Amounts for each Strategy you choose to invest in.												
<b>Strategy Maturity Value</b>	<p>In respect of each Strategy you choose to invest in, the greater of:</p> <ul style="list-style-type: none"> <li>➤ your Strategy Investment Amount + (your Strategy Investment Amount x Strategy Portfolio Return);</li> <li>and</li> <li>➤ your Strategy Capital Protection Amount</li> </ul>												
<b>Maturity Value</b>	The sum of the Strategy Maturity Values for each Strategy you choose to invest in.												
<b>Coupon Payments</b>	<p>In respect of Strategy 1, coupons are payable on your Strategy Investment Amount. Coupons are not contingent on the performance of the Reference Assets in the Underlying Portfolio and are payable on the Coupon Payment Dates in the table below.</p> <table border="1"> <thead> <tr> <th>Coupon Payment Date</th> <th>Coupon</th> </tr> </thead> <tbody> <tr> <td>25 October 2012</td> <td>A 5.00% coupon is payable on the Coupon Payment Date</td> </tr> <tr> <td>25 October 2013</td> <td>A 5.00% coupon is payable on the Coupon Payment Date</td> </tr> <tr> <td>27 October 2014</td> <td>A 5.00% coupon is payable on the Coupon Payment Date</td> </tr> <tr> <td>26 October 2015</td> <td>A 5.00% coupon is payable on the Coupon Payment Date</td> </tr> <tr> <td>25 October 2016</td> <td>A 5.00% coupon is payable on the Coupon Payment Date</td> </tr> </tbody> </table> <p>In respect of Strategy 2, no coupons are payable.</p>	Coupon Payment Date	Coupon	25 October 2012	A 5.00% coupon is payable on the Coupon Payment Date	25 October 2013	A 5.00% coupon is payable on the Coupon Payment Date	27 October 2014	A 5.00% coupon is payable on the Coupon Payment Date	26 October 2015	A 5.00% coupon is payable on the Coupon Payment Date	25 October 2016	A 5.00% coupon is payable on the Coupon Payment Date
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25 October 2016	A 5.00% coupon is payable on the Coupon Payment Date												

### Section 6: Schedule of Terms for Capital Series *Cornerstone* (cont).

<b>Early Termination</b>	Capital Series <i>Cornerstone</i> is intended to be a hold to maturity investment. However, your Investment may be terminated prior to the Maturity Date. In determining the Early Termination Value, we take into account Break Costs which may result in an Early Termination Value which is less than your Investment Amount.
<b>Calculation Agent</b>	Commonwealth Bank of Australia
<b>Initial Adviser Fee</b>	The amount agreed between you and your adviser, which will be paid to your adviser as an adviser fee
<b>Brokerage Fee</b>	Where you choose to accept the Sale Proceeds at maturity or upon Early Termination, you will use our Delivery Asset Sale Service. We charge a Brokerage Fee of up to 0.55% (including GST) of the Maturity Value or Early Termination Value (whichever is applicable) to use this service. This fee will be charged separately to your nominated bank account.
<b>Early Termination Fee</b>	An amount up to \$500 on sale before maturity.
<b>Delivery Asset</b>	At the commencement of Capital Series <i>Cornerstone</i> , the Delivery Asset is one unit in the SPDR S&P/ASX 200 Fund (referred to as the Specified Delivery Asset). On the occurrence of an Adjustment Event, we may substitute the Specified Delivery Asset with the Substituted Delivery Asset. The Substituted Delivery Asset may be any Security as determined by us. Please see Section 1 in Part 1 of this PDS and clause 9 of the Terms of Sale in Part 1 of this PDS for more information.
<b>Delivery Asset Price</b>	The price per unit of the Delivery Asset paid by us to purchase the Delivery Asset on the Trade Date
<b>Delivery Parcel</b>	The number of Delivery Assets for which we take delivery on your behalf on the Trade Date
<b>Delivery Asset Issuer</b>	At the commencement of Capital Series <i>Cornerstone</i> , State Street Global Advisors Australia Services Limited (ABN 16 108 671 441).
<b>Delivery Asset Market</b>	Australian Securities Exchange Limited (ASX)
<b>Start Date</b>	18 April 2011
<b>Maturity Date</b>	25 October 2016
<b>Trade Date</b>	1 November 2016
<b>Settlement Date</b>	4 November 2016
<b>Reference Level</b>	In respect of each Strategy, the verified closing level of each Reference Asset on any relevant day in the place of the financial market to which such Reference Asset relates, as reported or published by the Reference Asset Provider.
<b>Offer</b>	The offer made by you under clause 1 of the Terms of Sale, in response to this invitation
<b>Reference Asset Provider</b>	In respect of Strategy 1, the Australian Securities Exchange Limited In respect of Strategy 2, Standard and Poor's
<b>Investment</b>	Your investment in Capital Series <i>Cornerstone</i>
<b>Strategy Investment Amount</b>	The amount you invest in each Strategy of Capital Series <i>Cornerstone</i> as confirmed by us to you in the Acceptance Notice, which must be a minimum of the Minimum Investment Amount and thereafter a whole multiple of \$1,000.
<b>Investment Amount</b>	The sum of each Strategy Investment Amount of Capital Series <i>Cornerstone</i> as confirmed by us to you in the Acceptance Notice.

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## Structured Investments

Capital Series *Cornerstone*

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# Capital Series *Cornerstone*

## Application Form



## Application Form Instructions

You can apply as:

- > **An Individual**
- > **Two Individuals\***
- > **A Company**
- > **A Trustee (corporate and individual) on behalf of a Trust or Superannuation Fund**

\* Commonwealth Bank will accept instructions on the account from either party involved.

This Application Form is to be used for investing in Capital Series *Cornerstone* and applying for a Capital Investment Loan or a Capital Investment Loan and an Interest in Advance Loan.

Tick	Section
	A <b>Applicant Details</b> – Your personal and contact details
	B <b>Application Amount and Method of Payment</b> – How much you are investing and how you are going to pay for your Investment
	C <b>Cheque Details</b> – Only if you have attached a cheque
	D <b>Direct Debit and Direct Credit Request</b> – Your direct debit details (if you have selected to pay using Direct Debit in Section B or if you are applying for a Capital Investment Loan or if you are applying for a Capital Investment Loan and an Interest in Advance Loan). Your direct credit details to receive payments
	E <b>Capital Investment Loan and Interest in Advance Loan</b> – You must complete this section if you are applying for a Capital Investment Loan or if you are applying for a Capital Investment Loan and an Interest in Advance Loan
	F <b>Identification Details</b> – Identify yourself, and attach the relevant documents for identification. Certified identification documents are required for customers that do not have an existing Commonwealth Bank account, Commonwealth Bank credit card or CommSec account or for customers that do not submit this Application through a Financial Adviser
	G <b>Questionnaire</b> – You must complete the questions in this section
	H <b>Appointment of Nominated Representative(s)</b> – Your Nominated Representative(s) details
	I <b>Financial Adviser Details and Declaration</b> – Compulsory for Financial Adviser – to be completed by Financial Adviser If your Financial Adviser is appointed as a Nominated Representative, your Financial Adviser must sign Section H
	J <b>Declaration and Signature(s)</b> – Read and sign the Declaration statement

**Send your completed and signed Application Form to:**

Capital Series *Cornerstone*  
Commonwealth Securities  
Locked Bag 34  
Australia Square NSW 1214

**Note:** Please ensure that you have attached all supporting documentation for your Application.

Please read in full the PDS (both Part 1 dated 23 August 2010 and Part 2 dated 14 February 2011), including the Terms of Sale and Terms and Conditions of the Loan. Where applicable, capitalised terms used in this Application Form are defined in the Terms of Sale or Terms and Conditions of the Loan in Part 1 of this PDS.

The Terms of Sale contain important information about Capital Series *Cornerstone* and the Terms and Conditions of the Loan contain important information about the Capital Investment Loan and the Interest in Advance Loan. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Terms of Sale and the Terms and Conditions of the Loan. While the Terms of Sale and the Terms and Conditions of the Loan are current, Commonwealth Bank or a securities dealer or other licensed financial intermediary who has provided an electronic copy of it will send a paper copy of the Terms of Sale and Terms and Conditions of the Loan and the Application Form on request and without charge.



**Application Form Instructions (cont.)**

If this PDS (both Part 1 dated 23 August 2010 and Part 2 dated 14 February 2011) is distributed electronically, then those receiving it electronically should note that Applications can only be accepted if Commonwealth Bank receives a completed current Application Form which accompanied the electronic or paper copy of this PDS.

**Correct form of registrable title.** Applications must be in the name(s) of natural persons, companies, trusts or superannuation funds acceptable to Commonwealth Bank. A non-registrable name may be included by way of account designation if completed exactly as described below.

Type of Investor	Correct Form	Examples of Incorrect Form
<b>Individual.</b> Use given names not initials	John Adam Smith	J.A. Smith
<b>Company.</b> Do not use abbreviations	ABC Pty Ltd	ABC P/L ABC Co
<b>Trusts.</b> Use Trustee's personal name. Do not use the name of the Trust	John Smith <John Smith Family A/C>	John Smith Family Trust
<b>Partnerships.</b> Use personal names not the name of the partnership	John Smith and Michael Smith <John Smith & Sons A/C>	John Smith & Son
<b>Clubs/Incorporated Bodies/Business Names.</b>	Amanda Smith <ABC Bowling Club>	ABC Bowling Club
<b>Superannuation Funds.</b> Use Trustee's name not the name of the Trust	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund



**A Applicant Details**

**SECTION A1: APPLICANT 1 / DIRECTOR 1 / INDIVIDUAL TRUSTEE 1**

Title  Mr  Ms  Mrs  Miss  Dr Other (specify) \_\_\_\_\_

Surname

Given Name   
*(no initials)*

Other names commonly known by

Gender  Male  Female Date of Birth  /  /

Residential address   
*(not a PO Box)* State  Postcode

Postal address  State  Postcode

Phone Numbers Home  ( )  Work  ( )

Fax  ( )  Mobile

*please tick your preferred contact number*

Email address

**APPLICANT 2 / DIRECTOR 2 / INDIVIDUAL TRUSTEE 2 (if applicable)**

Title  Mr  Ms  Mrs  Miss  Dr Other (specify) \_\_\_\_\_

Surname

Given Name   
*(no initials)*

Other names commonly known by

Gender  Male  Female Date of Birth  /  /

Residential address   
*(not a PO Box)* State  Postcode

Postal address  State  Postcode

Phone Numbers Home  ( )  Work  ( )

Fax  ( )  Mobile

*please tick your preferred contact number*

Email address



**A Applicant Details (cont.)**

**SECTION A2: COMPANY APPLICANT**

› If you are a Company Applicant, you must also complete Section A1 with Director 1 and / or Director 2 details.

Company Name

ACN

Registered address  State  Postcode

Principal place of business (if any) (PO Box is NOT acceptable). Write "as above" if the principal place of business is the same as the Registered office

Street

Suburb  State  Postcode

Postal address  State  Postcode

Phone Numbers Business Hours  Fax

Email address

**SECTION A3: TRUST / SUPERANNUATION FUND APPLICANT**

- › Individual(s) as trustee(s): you must also complete Section A1 with Trustee 1 and / or Trustee 2 details.
- › Company as a trustee: you must also complete Section A1 with Director 1 and / or Director 2 details and Section A2 with your Company details.

Trustee(s) name *(Insert Individual Trustee name(s) or Corporate Trustee(s) name)*

Trustee(s) business name *(if any)*

Trust/Superannuation name

ABN



**B Application Amount and Method of Payment**

**APPLICATION AMOUNT**

- › You may apply for one or more of the Strategies listed below.
- › Please write the amount you wish to invest in each Strategy.

Strategy	Strategy Investment Amount		
Strategy 1 <i>(basket of 20 Australian shares)</i>	\$		
Strategy 2 <i>(S&amp;P/ASX200 Index)</i>	\$		
Investment Amount (Sum of each Strategy Investment Amount)	\$		<b>A</b>
Initial Adviser Fee	\$		<b>B</b>
	\$		<b>C = A + B</b>

**Application amount**

- › Minimum Investment Amount is \$10,000 per Strategy
- › Strategy Investment Amount is the amount you invest in each Strategy (which must be a minimum of the Minimum Investment Amount and thereafter a whole multiple of \$1,000)
- › Initial Adviser Fee is the amount agreed between you and your adviser, which will be paid to your adviser as an adviser fee
- › Application Amount is the sum of the Investment Amount and the Initial Adviser Fee

**PAYMENT METHOD**

Please indicate by ticking one of the boxes below:

**Using your own funds:**

- Cheque (made out to Commonwealth Bank. You **must** complete Section C); OR
- OR
- Direct Debit (you **must** complete and sign the Direct Debit and Direct Credit Request in Section D)

**Applying for a Loan:**

- Capital Investment Loan (subject to approval). You **must** complete Sections D and E; OR
- OR
- Capital Investment Loan **and** Interest in Advance Loan (subject to approval). You **must** complete Sections D and E.

**C Cheque Details**

- › This section is compulsory if you are attaching a cheque with your Application Form. Complete this section with details of your cheque.

<b>Drawer</b>	<input type="text"/>
<b>Bank</b>	<input type="text"/>
<b>Branch</b>	<input type="text"/>
<b>Amount</b>	\$ <input type="text"/>

**D Direct Debit and Direct Credit Request**

**This Section is compulsory if:**

- › You are paying the Application Amount by Direct Debit – we will direct debit the bank account nominated by you in this section on or after the Closing Date of Capital Series Cornerstone.
- › You are applying for a Capital Investment Loan – we will direct debit from the bank account nominated by you in this section:
  - (a) the interest payments on your Capital Investment Loan. If interest is payable monthly in arrears we will debit your bank account at the end of each month. If interest is payable annually in advance, we will debit your bank account on the Start Date; and
  - (b) any difference between the Investment Amount and the amount we agree to lend to you.
- › You are applying for an Interest in Advance Loan – we will direct debit from the bank account nominated by you in this section the principal and interest repayments on your Interest in Advance Loan.
- › You want to receive any cash payments via direct credit, such as coupon payments.

› The Account Name must be a holder of the Capital Series Cornerstone investment and must be held with banks, building societies and credit unions within Australia. Direct Debit is not allowed on the full range of accounts. If in doubt, please refer to your bank.

Form of Request for debiting amounts to accounts through the Bulk Electronic Clearing System (BECS). If you wish to make any payment relating to Capital Series Cornerstone by Direct Debit, we can arrange a Direct Debit from your bank account with an Australian Financial Institution. If you are applying for Capital Investment Loan, the Initial Adviser Fee (if any) and interest payment on your Loan will be debited from the bank account nominated in this section.

By completing this Direct Debit and Direct Credit Request you are authorising Commonwealth Securities Ltd (APCA User ID No. 062934) (“Commonwealth Securities”) to both direct debit and direct credit your account.

I / We (Name that appears on your account)

authorise and request, Commonwealth Securities as agent for Commonwealth Bank of Australia to arrange for funds to be debited from my / our account at the Financial Institution identified on the next page and as prescribed below through the Bulk Electronic Clearing System (BECS). This authorisation is to remain in force in accordance with the terms described in the Direct Debit Request Service Agreement on the next page.

I / We authorise the following:

1. Commonwealth Bank to verify the details of the account with my / our Financial Institution.
2. The Financial Institution to release information allowing Commonwealth Bank to verify the account details.

**Signed by Applicant 1 / Director 1 / Individual Trustee 1**

Print full name	Signature	Date
<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text" value="X"/>	<input style="width: 100%; height: 20px;" type="text" value="/ /"/>

**Signed by Applicant 2 / Director 2 / Individual Trustee 2**

Print full name	Signature	Date
<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text" value="X"/>	<input style="width: 100%; height: 20px;" type="text" value="/ /"/>

**Note:** – If the Bank Account is in joint names, both account holders must sign.  
 – For Company Applicants and Corporate Trustee Applicants, two (2) Directors or one Director (if you are a sole director) must sign.

**D Direct Debit and Direct Credit Request (cont.)**

**Direct Debit Payment Instructions**

Bank Name

Branch

Account Name

BSB No.

Account No.

**Note:** *Direct Debit is not allowed on the full range of accounts. If in doubt, please refer to your bank.*

**Direct Credit Payment Instructions**

Any cash payment will be credited to the bank account nominated by you in this section. The bank account must be in the exact same name/s as your Capital Series *Cornerstone* investment.

If this is the same account as you nominated under “Direct Debit Payment Instructions” above, please write “as above” in the box below.

Otherwise, please complete your account details below:

Bank Name

Branch

Account Name

BSB No.

Account No.

**COMMONWEALTH BANK CAPITAL SERIES CORNERSTONE, CAPITAL INVESTMENT LOAN AND INTEREST IN ADVANCE LOAN DIRECT DEBIT SERVICE AGREEMENT**

**Debit arrangements**

1. We reserve the right to charge a transaction fee if any debit item already debited from your nominated account is returned as unpaid by the Financial Institution.
2. We will keep the information about your nominated account at the Financial Institution private and confidential unless this information is required by us to investigate a claim made on it relating to an alleged incorrect or wrongful debt, or as otherwise required by law.
3. In the event of a debit returned unpaid we may attempt a redraw on your bank account nominated above.
4. We will advise you 14 days in advance of any changes to the Direct Debit arrangements.

**Your Rights**

5. You may terminate the Direct Debit arrangement with us, however this termination must be in writing.
6. Where you consider the debit is incorrect in either the due date or amount or both, you should raise the matter with your financial adviser or with Commonwealth Bank on 13 15 20.

**Your Responsibilities**

7. It is your responsibility:
  - to check with the Financial Institution where your account is held before completing the Direct Debit Request (DDR) as Direct Debiting through Bulk Electronic Clearing System (BECS) is not allowed on the full range of accounts. You should also complete your account details (including Bank State Branch (BSB) number) directly from a recent account statement from your Financial Institution;
  - to ensure sufficient cleared funds are available in the bank account nominated above to meet the debit on the due settlement date of your transactions executed by Commonwealth Bank;
  - to ensure that the authorisation to debit the bank account nominated is in the same name as the account held by the Financial Institution;
  - to advise us if the account you have nominated to debit is transferred or closed;
  - to ensure that suitable arrangements are made if the Direct Debit is cancelled;
    - by yourself;
    - by your nominated Financial Institution; or
    - for any other reason

**E Capital Investment Loan and Interest in Advance Loan**

➤ **Only complete Section E if you are applying for a Capital Investment Loan or if you are applying for a Capital Investment Loan and an Interest in Advance Loan to fund your investment in Capital Series *Cornerstone*. Note that a Superannuation Fund cannot borrow to invest in Capital Series *Cornerstone* with the Capital Investment Loan. Please complete all sections.**

**Note: The references to “loan amount” in the table below refer to the combined loan amount of any Commonwealth Investment Loan, Interest in Advance Loan or any other Capital Investment Loan you have with us.**

**What to include with your Application Form.**

Please choose which of the following categories your application is in, and attach documentation as listed in the tables below.

	<b>LOAN AMOUNT OF \$100,000 OR UNDER</b>	<b>LOAN AMOUNT ABOVE \$100,000 UP TO AND EQUAL TO \$500,000</b>	<b>LOAN AMOUNT OF OVER \$500,000</b>
<b>Application submitted through a Financial Adviser</b>	Category 1	Category 1	Category 2
<b>Application NOT submitted through a Financial Adviser</b>	Category 1	Category 2	Category 2

**CATEGORY 1**

- For salaried applicants, provide **one** or **both** of the following:
  - Latest payslip or pay advice detailing your base salary
  - Last year’s tax return
- For company, trust, or self-employed applicants provide the following:
  - Last year’s tax returns and financial statements.

**CATEGORY 2**

- Provide one of the following:
  - Last three payslips or pay advices detailing your base salary
  - Letter from your employer confirming length of employment, base income and regular overtime bonuses
  - Last two years’ tax returns and financial statements for company, trust, or self-employed applicants
  - Evidence of asset ownership, which includes bank statement, chess certificate, managed funds statement, rates notice
  - Accountant’s certificate confirming income, asset and liability position

The information contained in the supporting documentation you provide with your Application Form must be consistent with the information in the Statement of Income and Expenditure on page 11 and page 12 completed by you.

**Please note:**

- Additional information may be requested at Commonwealth Bank’s discretion
- For Company Borrowers and Trustee Borrowers (corporate or individual) additional fees may apply.
- For Trust Applications, special provisions may apply
- For further information, contact your Financial Adviser (if applicable), otherwise call our Client Service Team on 13 15 20.

**E Capital Investment Loan and Interest in Advance Loan (cont.)**

**SECTION E1: CAPITAL INVESTMENT LOAN OFFER AND INTEREST IN ADVANCE LOAN OFFER**

You may apply to borrow an amount up to the Total Capital Protection Amount (a Capital Investment Loan). The Total Capital Protection Amount is the sum of each Strategy Capital Protection Amount.

	Strategy Investment Amount (from Section B)			Strategy Capital Protection Amount
Strategy 1 <i>(basket of 20 Australian shares)</i>	\$	X	100% of Strategy Investment Amount	= \$
Strategy 2 <i>(S&amp;P/ASX200 Index)</i>	\$	X	100% of Strategy Investment Amount	= \$
<b>Investment Amount</b>	<b>\$</b>		<b>Total Capital Protection Amount</b>	<b>\$</b>
<b>Amount you wish to borrow</b> (must not exceed the Total Capital Protection Amount, and must be in multiples of \$1,000)				<b>\$</b>

If you apply for a Capital Investment Loan you may also apply to borrow an amount equal to the annual interest in advance on the Capital Investment Loan (an Interest in Advance Loan).

**What Loan(s) are you applying for?** (please tick either the first box only, or the first and second boxes)

**Capital Investment Loan** – You offer to borrow from us the amount specified above, which is equal to or less than your Total Capital Protection Amount for this product. We may agree to lend you this amount or a lesser amount.

**AND**

**Interest in Advance Loan** – You offer to borrow from us the prepayment of your fixed annual interest on your Capital Investment Loan. The interest on your Interest in Advance Loan will be fixed and paid monthly in arrears by debiting your Nominated Account.

**How do you want to pay interest on your Capital Investment Loan?** (please tick one)

- Variable monthly in arrears; or
- Fixed monthly in arrears; or
- Fixed annually in advance (NB: You must tick this box if you apply for an Interest in Advance Loan)

**Notes:**

- If your Capital Investment Loan is approved, we will only lend up to the Total Capital Protection Amount to you. Any Initial Adviser Fee will be debited separately from your bank account as nominated in Section D of this Application Form.
- We will debit your Nominated Account for the amount equal to the difference between your Investment Amount and the amount we agree to lend you.
- If your Interest in Advance Loan is approved, we will lend an amount equal to the annual interest in advance on your Capital Investment Loan.

**Note: Guarantee documents** – Each Director of a Company Borrower or Corporate Trustee Borrower must provide a Guarantee in respect of the Company Borrower/Corporate Trustee Borrower’s obligations under the Capital Investment Loan and the Interest in Advance Loan (if applicable). Following receipt of your Application, we will send to each Director the Guarantee documents for execution. The Guarantee documents must be executed and returned to us before your Capital Investment Loan and your Interest in Advance Loan (if applicable) can be funded.

**E Capital Investment Loan and Interest in Advance Loan (cont.)**

**Borrower 1 / Director 1 / Individual Trustee 1**

**STATEMENT OF INCOME AND EXPENDITURE**

Annual Income		Annual Expenditure	
Salary (before tax)	\$	Living Expenses (excluding any loan repayments listed in the Liabilities table)	\$
Rental Income (before tax)	\$		
Dividend Income (before tax)	\$		
Other Income	\$		
Details –	\$		
	\$		
<b>Total Income</b>	<b>\$</b>	<b>Total Expenditure</b>	<b>\$</b>

**BALANCE SHEET**

Assets		
Residential Property Address –		\$
Investment Property Address –		\$
Shares		\$
Motor Vehicles		\$
Other Tangible Assets (e.g. cash) Details –		\$
<b>Total Assets</b>		<b>\$</b>

**Liabilities**

**Amortising Facilities – Home Loan / Investment Home Loan / Personal Loan / Lease / Other Facilities**

	Type of facility	Name of lender	Loan balance outstanding	Interest rate	Maturity date	Monthly repayment amount
Facility 1			\$	%	/ /	\$
Facility 2			\$	%	/ /	\$

**Revolving / Interest Only Facilities – Margin Loans / Investment Loan / Line of Credit / Other**

	Type of facility	Name of lender	Loan balance outstanding	Interest rate	Maturity date	Monthly repayment amount
Facility 1			\$	%	/ /	\$
Facility 2			\$	%	/ /	\$



**E Capital Investment Loan and Interest in Advance Loan (cont.)**

**Credit Cards**

	Name of lender	Credit Limit	Interest rate
Card 1		\$	%
Card 2		\$	%

**Borrower 2 / Director 2 / Individual Trustee 2**

**STATEMENT OF INCOME AND EXPENDITURE**

<b>Annual Income</b>		<b>Annual Expenditure</b>	
Salary (before tax)	\$	Living Expenses (excluding any loan repayments listed in the Liabilities table)	\$
Rental Income (before tax)	\$		
Dividend Income (before tax)	\$		
Other Income Details –	\$		
	\$		
<b>Total Income</b>	<b>\$</b>	<b>Total Expenditure</b>	<b>\$</b>

**BALANCE SHEET**

<b>Assets</b>	
Residential Property Address –	\$
Investment Property Address –	\$
Shares	\$
Motor Vehicles	\$
Other Tangible Assets (e.g. cash) Details –	\$
<b>Total Assets</b>	<b>\$</b>

**Liabilities**

**Amortising Facilities – Home Loan / Investment Home Loan / Personal Loan / Lease / Other Facilities**

	Type of facility	Name of lender	Loan balance outstanding	Interest rate	Maturity date	Monthly repayment amount
Facility 1			\$	%	/ /	\$
Facility 2			\$	%	/ /	\$

**E Capital Investment Loan and Interest in Advance Loan (cont.)**

**Revolving / Interest Only Facilities – Margin Loans / Investment Loan / Line of Credit / Other**

	Type of facility	Name of lender	Loan balance outstanding	Interest rate	Maturity date	Monthly repayment amount
Facility 1			\$	%	/ /	\$
Facility 2			\$	%	/ /	\$

**Credit Cards**

	Name of lender	Credit Limit	Interest rate
Card 1		\$	%
Card 2		\$	%

**SECTION E2: RISK DISCLOSURE**

**Risk statement for Loan Applicants**

Before you apply for a Capital Investment Loan and an Interest in Advance Loan (if applicable), you must consider:

- whether the Loans are right for you; and
- the risks associated with the Loans; and
- the risks involved in investing in Capital Series *Cornerstone* in which you are applying the proceeds of the Loans.

We strongly suggest that you obtain independent legal, tax and financial advice to get a better idea of the risks involved and the way in which you can manage the Loans.

**You and your advisers should be aware of the following risks:**

- borrowing money to invest in Capital Series *Cornerstone* (gearing) can magnify the financial effect on you of any decrease in the value of your investment in Capital Series *Cornerstone*;
- income from your investments (if any) may fluctuate. Also, the time at which you pay interest on your Loan Account may be different from the time at which you can earn income on your investment;
- repayment of any part of the Loans before the Final Maturity Date which can occur through your decision or your default may result in significant costs being payable by you to us;
- the Terms and Conditions of the Loan as they apply to you and the choices you make may have significant tax implications for you.

There may be circumstances in which we can require you to pay all of what you owe to us immediately.

Those circumstances include where:

- you fail to pay any sum payable by you to us on the date the payment is due;
- we consider that your financial position has deteriorated to a point where you may not be able to meet any obligation you owe to us.

You should familiarise yourself with the other circumstances in which we can ask you to pay us immediately (for example, see Clause 8 to Clause 10 and Clause 12 of the Loan Agreement).

You should obtain independent legal, tax, and financial advice on the effect on your investment, tax and financial obligations if the Loans are repaid early.

**Payments to Loan Account**

If we accept your application for a Capital Investment Loan, you will have a Capital Investment Loan Account (“CIL Loan Account”). If we accept your application for an Interest in Advance Loan you will also have an Interest in Advance Loan Account (“IAL Loan Account”).

Other than when we require you to pay your CIL Loan Account in full, we do not require you to make any principal payments on your CIL Loan Account. If you have an IAL Loan Account we require you to make principal and interest payments on your IAL Loan Account. The amount you owe to us can increase with unpaid interest and unpaid fees and charges we debit to your CIL Loan Account and your IAL Loan Account (if applicable).

We charge interest on the debit balance of your Loan Account. The balance of your Loan Account may increase with unpaid interest, fees and charges sufficient to require us to terminate the Loan Account.

**E Capital Investment Loan and Interest in Advance Loan (cont.)**

**Taxation**

You should speak to an independent taxation adviser to determine whether you can deduct part of the interest incurred by you on your Loan Account. If you have an Interest in Advance Loan we require you to make principal and interest payments on your loan. Depending on your individual circumstances, some or all of the interest otherwise deductible might be disallowed by the Australian Tax Office.

You may wish to negatively gear your investment in Capital Series *Cornerstone* with the loan proceeds, however, it may not be possible to do so.

**You have sole responsibility for deciding to invest in Capital Series *Cornerstone* for which this Loan is supplied. We do not:**

- recommend Capital Series *Cornerstone*; or
- give any opinion on the performance of Capital Series *Cornerstone*, even if we are willing to lend money against Capital Series *Cornerstone*.

**SECTION E3: AUTHORISATIONS BY BORROWER(S)**

**All Borrowers**

**You authorise us**

- (a) to give to any Guarantor or proposed Guarantor (i) any credit information or record that has any bearing on your creditworthiness, credit standing, credit history or credit capacity in connection with such credit facilities for the purpose of deciding whether to act or continue to act as Guarantor in respect of, or to offer property as security for, your credit facilities; (ii) a copy of the Loan Agreement, of any formal demand we send to you and, if the Guarantor asks, a copy of the latest statement of your Loan Account;
- (b) to give to and / or receive from your Stockbroker and / or Nominated Representative any record or personal information about you or your credit facilities in connection with the processing and accepting of any application to us for credit and / or the subsequent management of the credit provided;
- (c) to exchange with Commonwealth Securities (which manages the Capital Investment Loan and Interest in Advance Loan products on our behalf) any record or personal information about you in connection with the processing and accepting of this application and / or the subsequent management of any credit which we may agree to provide; and
- (d) to exchange (for market purposes) with our subsidiaries which provide related or ancillary financial services, any record or personal information about you concerning any credit which we may agree to provide.

**Individual Borrowers**

**(not applicable to Company Borrower or Corporate Trustee Borrower)**

**You authorise us**

- (a) to give a credit reporting agency certain personal information about you including the fact that you have applied for credit and the amount, any payments which become overdue more than 60 days and, in specified circumstances, that in our opinion you have committed a serious credit infringement;
- (b) to obtain from a credit reporting agency information relating to your commercial credit activities and a credit report containing personal and credit information about you to assess this application or for the purpose of collecting overdue payments in respect of any credit which we have provided to you or your company / firm;
- (c) to give to and obtain from any credit provider named in a credit report issued by a credit reporting agency or a commercial reporting agency respectively information about your credit arrangements including your creditworthiness, credit standing, credit history and credit capacity. The information may be given and used for purposes that include assessing an application by you for credit, assisting you avoid defaulting on your credit obligations, notifying other credit providers of a default by you, assessing your creditworthiness, and, where the information is given to participants in a securitisation scheme, assessing the risk in purchasing any loan given to or applied for by you and/or the risk in undertaking credit enhancement of any such loan; and
- (d) when we are performing tasks reasonably necessary to the provision and management of securitised loans, to obtain from a credit reporting agency a credit report containing personal credit information about you for the securitisation purposes permitted by Section 18E(1)(b)(ia) of the *Privacy Act 1988 (Cth)*.

**SECTION E4: ACKNOWLEDGEMENTS AND SIGNATURES OF BORROWER(S)**

**Note: Each Borrower must sign.**

**By signing this Application you acknowledge that:**

1. If you are an Individual Borrower, you declare that the proceeds of the Loans which may be provided to you are to be applied wholly or predominantly for:
  - business purposes; or
  - investment purposes (after 1 July 2010, other than investment in residential property).



**E Capital Investment Loan and Interest in Advance Loan (cont.)**

**IMPORTANT**

You should not sign this declaration unless the proceeds of the Loan is to be applied wholly or predominantly for:

- business purposes; or
- investment purposes (after 1 July 2010, other than investment in residential property).

By signing this declaration you may **lose** your protection under the Consumer Credit Code prior to 1 July 2010 and the National Credit Code from 1 July 2010.

2. All information which you have given in this Application is correct and not misleading in any way.
3. You have read and understood the Terms and Conditions of the Loans (having taken such independent legal, financial and tax advice as you have needed).
4. You have read and understood the Risk Disclosure Statement.
5. You have not relied on any tax advice from us and have sought your own independent legal and financial advice in relation to your obligations under the Capital Investment Loan and Interest in Advance Loan (if applicable).
6. We may pay adviser fees which your adviser has declared an entitlement to in Section I of the Application Form and reimburse promotional and marketing fees to any broker or financial planner or other financial intermediary who introduces the Borrower to us and pay Commonwealth Securities their fees and costs relating to the administration of the Capital Investment Loan and Interest in Advance Loan (if applicable).
7. If we approve and accept your application for a Capital Investment Loan then you will automatically

be legally bound by the Terms and Conditions of the Loan applicable to you. If we approve and accept your application for an Interest in Advance Loan then you will automatically be legally bound by the Terms and Conditions of the Loan applicable to you. No drawings will be allowed, and we may void the contract, unless our security requirements are satisfied.

8. You understand and acknowledge that the law requires signatories to provide true and correct information and state all the names by which they are commonly known. You also understand that the law prohibits the use of false names, as well as the giving, use or production of false or misleading information or documents in connection with the provision of financial services and the making, possession or use of a false document in connection with an identification procedure.
9. You declare that the details as shown on this Application are complete and correct.
10. You consent to the use and disclosure of your information as indicated in Section E3 of this Application Form.

**SIGNING CLAUSES**

**For Company Borrower or Corporate Trustee Borrower.**

If you are a Director of a Company Borrower or a Corporate Trustee Borrower:

- you sign this Application in your capacity as a Director;
- by signing, you confirm that there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due.

For Company Borrowers and Corporate Trustee Borrowers, two Directors or one Director (if you are a sole director) must sign in accordance with s127 of the *Corporations Act 2001 (Cth)*.

**If executed by a Company Borrower or Corporate Trustee Borrower:**

Company Name

ABN/ACN

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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**Signed by Individual Borrower 1 / Director 1 / Individual Trustee Borrower 1**

Print full name

Signature

Date

 /  / 

**Signed by Individual Borrower 2 / Director 2 / Individual Trustee Borrower 2**

Print full name

Signature

Date

 /  / 

**Please ensure that you have attached all supporting documentation for your Application.**



**F Identification Details**

To meet the requirements under the Anti Money Laundering and Counter-Terrorism Financing Act, we are required, by law, to identify all Applicants and Nominated Representatives that do **not** have an existing Commonwealth Bank account, Commonwealth Bank credit card or CommSec account by sighting acceptable identification documentation.

For Trust Applicants, you will need to provide the account details under Question 2 below for each Trustee operating on the account, as well as appropriate account details for the Trust.

**1. Is this application submitted through a Financial Adviser?**

- Yes – Identification will be completed by your Financial Adviser
- No – Go to Question 2

**2. Do you and/or any Nominated Representatives have an existing Commonwealth Bank account, Commonwealth Bank credit card or CommSec account?**

- Yes – Complete account details below
- No – Go to Question 3

**Commonwealth Bank accounts**

BSB Number	Account Number	Account Name
<input type="text"/>	<input type="text"/>	<input type="text"/>

BSB Number	Account Number	Account Name
<input type="text"/>	<input type="text"/>	<input type="text"/>

**Commonwealth Bank credit card**

Credit Card Number	Account Name
<input type="text"/>	<input type="text"/>

Credit Card Number	Account Name
<input type="text"/>	<input type="text"/>

**CommSec account**

BSB Number	Account Number	Account Name
<input type="text"/>	<input type="text"/>	<input type="text"/>

BSB Number	Account Number	Account Name
<input type="text"/>	<input type="text"/>	<input type="text"/>

**3. For any Applicants (including Individuals, Companies, Trusts and Trustees who operate Trust accounts) and Nominated Representatives that have not been identified above, you will need to provide acceptable, certified identification documentation.**

You will need to obtain the Identification Pack, complete the additional forms required and attach the completed forms to this Application. You can access these forms by:

- a) visiting our website at [www.commbank.com.au/capitalseries/cornerstone](http://www.commbank.com.au/capitalseries/cornerstone)
- b) contacting our Client Services Team on 13 15 20.

If you have any queries, please contact our Client Services Team on 13 15 20.

**G Questionnaire**

*This information is required for Commonwealth Bank’s internal purposes only in connection with our assessment of your Application. We want to ensure that you understand some of the important aspects of the product, particularly the risks related to the product.*

*Notwithstanding Section 5 under “Customer Information and Privacy” in Part 1 of this PDS, the information will not be used for any other purpose or provided to any other entity within the Commonwealth Bank Group.*

You will be required to answer all questions correctly prior to Commonwealth Bank accepting your Application. We will contact you via email or phone if you have answered any questions incorrectly. Please ensure you have provided a valid email address and contact phone number in Section A of this Application so that we can contact you. Commonwealth Bank may not accept your Application if you answer any questions incorrectly and are not able to be contacted.

Please refer to the PDS to answer the following questions. For ease of reference, we have provided the relevant section of the PDS for each question.

Question Number	Question	Refer to
1	Capital Series is a: <i>(please tick one box)</i> <input type="checkbox"/> Term deposit <input type="checkbox"/> Deferred Purchase Agreement <input type="checkbox"/> Managed fund	Part 1, Section 1.14
2	Capital protection is applicable at any time during the Term of the Investment. <input type="checkbox"/> True <input type="checkbox"/> False	Part 1, Section 1.5
3	If your Investment is terminated early, your Early Termination Value may be less than your Investment Amount, even if the Underlying Portfolio has increased in value. <input type="checkbox"/> True <input type="checkbox"/> False	Part 1, Section 1.17
4	If interest rates have increased since the Start Date, then the Break Costs due in relation to the Capital Series will generally: <input type="checkbox"/> Decrease <input type="checkbox"/> Increase	Part 1, Section 1.17
5	At the maturity of Capital Series, what are your options? <input type="checkbox"/> Accept physical delivery of the Delivery Parcel or sell the Delivery Parcel via the Delivery Asset Sale Service <input type="checkbox"/> Roll Capital Series into a term deposit or roll into a portfolio of shares of your choice	Part 1, Section 1.12
Please answer the question below for each of the Strategies you choose to invest in:		
6 (answer this question if you are applying for Strategy 1)	If your Strategy Investment Amount is \$10,000, what is the most the Strategy Maturity Value of your Investment can be on the Maturity Date? (please tick one box) <input type="checkbox"/> \$15,000 <input type="checkbox"/> \$14,500 <input type="checkbox"/> \$7,000	Part 2, Section 4
7 (answer this question if you are applying for Strategy 2)	Assuming the Participation Rate is 165% on the Start date and your Strategy Investment Amount is \$10,000, what is the most the Strategy Maturity Value of your Investment can be on the Maturity Date? <input type="checkbox"/> \$16,500 <input type="checkbox"/> \$18,250 <input type="checkbox"/> Maturity Value is unlimited	Part 2, Section 4



**G Questionnaire (cont.)**

Once you have completed this questionnaire, please sign below.

**Signed by Applicant 1 / Director 1 / Individual Trustee 1**

Print full name

Signature

Date

**Signed by Applicant 2 / Director 2 / Individual Trustee 2**

Print full name

Signature

Date



**H Appointment of Nominated Representative(s)**

➤ **Complete this section with the details of the person(s) you wish to appoint as your Nominated Representative(s) in relation to Capital Series Cornerstone (“Nominated Representative(s)”).**

**Nominated Representative(s) Details**

You can either appoint your Financial Adviser or another person or **both** as your Nominated Representative(s).

**Financial Adviser as your Nominated Representative**

If you have a Financial Adviser and you would like your Financial Adviser to be your Nominated Representative, please tick this box. The Financial Adviser must sign this section and complete Section I “Financial Adviser Details and Declaration”.

Signature of Nominated Representative

Date

/  /

**Other person as your Nominated Representative**

Title  Mr  Ms  Mrs  Miss  Dr Other (specify) \_\_\_\_\_

Surname

Given Name   
*(no initials)*

Other names commonly known by

Gender  Male  Female Date of Birth  /  /

Residential address   
*(not a PO Box)* State  Postcode

Postal address  State  Postcode

Phone Numbers Home  ( )  Work  ( )

Fax  ( )  Mobile

*please tick your preferred contact number*

Email address

Signature of Nominated Representative

Date

/  /



## H Appointment of Nominated Representative(s) (cont.)

### Powers of Nominated Representative(s)

The Nominated Representative may do any of the following in your name or in its own name as a personal act of yours in relation to Capital Series *Cornerstone*:

- (a) issue general requests relating to securities, execution, drawdown, portfolio management, corporate actions, repayment, redemptions, resets and switches;
- (b) issue instructions relating to maturity and termination;
- (c) receive duplicate copies of investment statements issued to you;
- (d) complete any blanks, supplement or amend any document, where such changes are not material;
- (e) amend your instructions and forms;
- (f) change your contact details;
- (g) make enquires regarding your investment; and
- (h) do anything incidental to any of the above.

This appointment is subject to the following Terms and Conditions of Appointing Nominated Representative(s).

### Terms and Conditions of Appointing Nominated Representative(s)

1. Directions or enquiries from, or the exercise of powers by, a person we reasonably believe to be your Nominated Representative, shall be deemed to be your personal acts or the personal exercise by you of those powers.
2. We will continue to act upon any instructions from your Nominated Representative until we receive a written cancellation of the appointment.
3. We are authorised to share information about your investment with your Nominated Representative.
4. We may ask you to confirm any instructions given by your Nominated Representative and if we are unable to obtain your confirmation we may cancel the terms of appointment of your Nominated Representative. We will give you notice in writing of the cancellation not more than 14 days afterwards.
5. Your Nominated Representative may do any of the acts or things set out in the Powers of Nominated Representative unless you have notified us in writing that your Nominated Representative has ceased to be authorised.

6. If your Nominated Representative is your Financial Adviser, their authority is limited so that they cannot change the amount of the contribution fee or adviser service fee applying to your investment or alter payment / distribution of proceeds to Australian bank account details.
7. Where you have appointed two Nominated Representatives:
  - (a) we may verify instructions received from one of your Nominated Representatives or obtain additional information by contacting your other Nominated Representative;
  - (b) we may act and rely on instructions and authorities received from either of your Nominated Representatives; and
  - (c) in the event of conflict or inconsistency in any instructions or authorities received from your Nominated Representatives, we may choose in our absolute discretion which instructions or authorities upon which we will act or rely.
8. You agree to release, discharge and indemnify us from and against all losses, actions, liabilities, claims, demands and proceedings arising from your appointment of a Nominated Representative.
9. You agree that neither you nor any person claiming through you will have any claim against us in respect of any act or omission of your Nominated Representative, whether authorised by you or not, including without limitation any payment by us on the instruction of your Nominated Representative, unless you have previously notified us in writing that your Nominated Representative has ceased to be authorised.



**I Financial Adviser Details and Declaration**

Adviser's Name

Authorised Representative of (Australian Financial Services Licensee)

Street address   
State  Postcode

Postal address   
State  Postcode

Advisor Stamp

Phone Numbers Business Phone 1  Business Phone 2   
 ( ) ( )

Fax  Mobile   
 ( )

Preferred Email address

You must supply your Client Adviser Number (CAN) if it has previously been provided to you by us.  
 If you do not have a CAN, you must supply your date of birth and Authorised Representative Number. If you do not have an Authorised Representative Number, you must supply an Authorised Representative Certificate from your dealer group. You must also provide an originally certified photocopy of your driver's licence or passport.

CAN  **OR**  
 Date of Birth  /  /  **AND** Authorised Representative Number

Commonwealth Bank of Australia is authorised to take instruction from this Financial Adviser on behalf of the Borrower(s).

**IMPORTANT:**  
 If the Applicant(s) have recorded an existing Commonwealth Bank account, Commonwealth Bank credit card or CommSec account in Section F, please sign at the end of this Section I.  
 If the Applicant(s) have **NOT** recorded an existing Commonwealth Bank account, Commonwealth Bank credit card or CommSec account in Section F, please attach a legible copy of the certified ID documentation used to verify the Applicant(s) and any Nominated Representative(s) (and any required translation).  
 Alternatively, **if agreed** between your licensee and the product issuer, complete the ID Document Details below, and **DO NOT** attach copies of the ID Documents.



**I Financial Adviser Details and Declaration (cont.)**

**ID DOCUMENT DETAILS**

	<b>Document 1</b>		<b>Document 2</b>	
Verified From	Original <input type="checkbox"/>	Certified Copy <input type="checkbox"/>	Original <input type="checkbox"/>	Certified Copy <input type="checkbox"/>
Name on Document	<input type="text"/>		<input type="text"/>	
Document Type (e.g. passport)	<input type="text"/>		<input type="text"/>	
Document Issuer	<input type="text"/>		<input type="text"/>	
Issue Date	<input type="text"/>		<input type="text"/>	
Expiry Date	<input type="text"/>		<input type="text"/>	
Document Number	<input type="text"/>		<input type="text"/>	
Accredited English Translation	N/A <input type="checkbox"/>	Sighted <input type="checkbox"/>	N/A <input type="checkbox"/>	Sighted <input type="checkbox"/>
Date verified	<input type="text" value="/ /"/>			

**Financial Adviser Declaration**

I declare that:

- |  |  |
|--|--|
| <p>1. I hold or I am an Authorised Representative of an entity that holds, a current Australian Financial Services Licence and that no application has been made or is pending to vary, amend or remove this licence;</p> <p>2. I hold or I am an Authorised Representative of an entity that holds all appropriate licences and authorities and I am authorised to sell Capital Series <i>Cornerstone</i> and the Capital Investment Loan and Interest in Advance Loan;</p> <p>3. I am entitled to receive the adviser fees payable to licensed financial planners or brokers for Capital Series <i>Cornerstone</i> and the Capital Investment Loan and Interest in Advance Loan as agreed with the Applicant(s);</p> <p>4. I have not misled, or misrepresented Capital Series <i>Cornerstone</i> and the Capital Investment Loan or Interest in Advance Loan, to the Applicant(s) / Borrower(s) disclosed in this Application Form and I have acted honestly, responsibly and lawfully in providing financial products and services described in and associated with Capital Series <i>Cornerstone</i>, the Capital Investment Loan and the Interest in Advance Loan brochure to the Applicant(s) / Borrower(s) disclosed in this Application Form;</p> | <p>5. The Capital Investment Loan and the Interest in Advance Loan (if applicable), will be applied by the Borrower(s) wholly or predominantly for business and/or investment purposes (after 1 July 2010, other than investment in residential property);</p> <p>6. I have explained the risks of Capital Series <i>Cornerstone</i> and the Capital Investment Loan and Interest in Advance Loan to the Applicant(s) / Borrower(s) and drawn the attention of the Borrower(s) specifically to Section E2 "Risk Disclosure" of the Application Form; and</p> <p>7. I certify that the information provided on the Applicant / Borrower is correct and consistent with my understanding of the Applicant's / Borrower's financial position.</p> |
|--|--|

Signature of Adviser

Date

**J Declaration and Signature(s)**

› **Please read Section J in its entirety. You must provide the required signatures at the end of Section J before returning the Application Form to us.**

**General Declaration:** I / We whose full name(s) and address(es) appear above, hereby apply for Commonwealth Bank Capital Series *Cornerstone* and Capital Investment Loan (if applicable) and Interest in Advance Loan (if applicable) as set out on this Application Form, to be issued in accordance with the Terms of Sale and Terms and Conditions of the Loan issued by Commonwealth Bank of Australia. I / We have read and understood both Part 1 dated 23 August 2010 and Part 2 dated 14 February 2011 of the PDS, in particular, the Terms of Sale and Schedule of Terms for Capital Series *Cornerstone* and the Terms and Conditions of the Loan (having taken such independent legal, financial and tax advice as I have needed). I / we agree to accept Commonwealth Bank Capital Series *Cornerstone* and obtain Capital Investment Loan (if applicable) and obtain Interest in Advance Loan (if applicable) on the basis of and be bound by the Terms of Sale and Terms and Conditions of the Loan (if applicable).

I / We appoint the person(s) described in Section H as my / our Nominated Representative/s and understand and agree to be bound by the Terms and Conditions of Appointing Nominated Representative/s as set out in Section H of the Application Form.

I / We understand and acknowledge that the law requires signatories to provide true and correct information and state all the names by which they are commonly known. I also understand that the law prohibits the use of false names, as well as the giving, use or production of false or misleading information or documents in connection with the provision of financial services and the making, possession or use of a false document in connection with an identification procedure.

I / We declare that the details as shown on this Application are complete and correct.

I / We consent to the use and disclosure of my / our information as indicated in the Customer Information and Privacy section of this PDS. You may indicate that you do not wish to receive marketing information from us by ticking the box provided below.

Tick this box if you do not want to receive any promotional material from Commonwealth Securities (including information about Initial Public Offers).

**Representations and Warranties: I / We represent and warrant that:**

- › I am / we are not bankrupt nor insolvent, am / are able to pay my / our debts as and when they become due, no step has been taken to make me / us bankrupt or commence winding up proceedings, appoint a controller or administrator, seize or take possession of any of my / our assets or make an arrangement, compromise or composition with any of my / our creditors;
- › I / we have full legal capacity to make the Application and be bound by the Terms of Sale and have taken all actions that are necessary to authorise the Application and be bound by the terms;
- › I / we have read and understood the Terms of Sale and I / we have made my / our own independent investigations and appraisals of the taxation, legal, commercial and credit aspects associated with the purchase of the Delivery Assets (having taken such independent legal, financial and tax advice as I have needed);
- › I / we have not relied in any way whatsoever on any statements made by Commonwealth Bank of Australia or any of its related entities or their servants, agents, employees or representatives in relation to the Terms of Sale or the deferred purchase of the Delivery Assets and I / we acknowledge that Commonwealth Bank of Australia has not made any representations to me / us regarding the suitability or appropriateness of the deferred purchase of the Delivery Assets;
- › I / we acknowledge that nothing in the Terms of Sale or any marketing material associated with Capital Series *Cornerstone* can be considered investment advice or a recommendation to buy the Delivery Assets;
- › I / we have obtained all consents which may be required by law to enable me / us to acquire the Delivery Assets and to become registered as the holder of the Delivery Assets and that the registration of me / us as the holder of the Delivery Assets will not contravene any law, regulation or ruling or the constitution of any company;
- › I / we (and no other person) are not in breach of any law or any obligation to another person by entering into or becoming bound by the Terms of Sale;
- › by applying for Capital Series *Cornerstone*, I / we will not be in breach nor there be any resulting breach of any exchange controls, fiscal, securities or other laws or regulations for the time being applicable to Capital Series *Cornerstone* or me / us;
- › I / we are not a resident or national of any jurisdiction where the Application for or the Completion of Capital Series *Cornerstone* is prohibited by any law or regulation or where compliance with the relevant laws or regulations would require filing or other action by the Commonwealth Bank of Australia or any of its related bodies corporate;

**J Declaration and Signature(s) (cont.)**

- › I / we acknowledge that the Commonwealth Bank of Australia does not provide taxation advice and the information contained in Section 4 in Part 1 of the PDS headed “Tax Considerations” and Section 5 in Part 2 of the PDS is necessarily general in nature and does not take into account the specific taxation circumstances of each individual Investor. I /we acknowledge that I / we have been advised to seek my / our own independent advice on the taxation implications relevant to my / our own circumstances before making an investment decision;
- › all the information that I / we have given to the Commonwealth Bank of Australia is correct and not misleading;
- › I / we have not withheld any information that might have caused the Commonwealth Bank of Australia to reject my / our Application;
- › I / we acknowledge that I / we have read Customer Information and Privacy section of this PDS and consent to the use and transfer of my/our information as set out in that section; and
- › I / we acknowledge that my / our signatures below indicates my / our authorisation of the payment instructions provided to the Commonwealth Bank of Australia in this Application Form.

**Power of Attorney:** For valuable consideration I / we irrevocably appoint Commonwealth Bank of Australia, its nominees and any of their directors, secretaries and managers or any employee whose title includes the words “director”, “head” or “manager” severally as my / our attorney to do (either in my / our name or the name of the attorney) all acts and things that I am / we are obliged to do under the Terms of Sale and Terms and Conditions of the Loan (if applicable) and which the Commonwealth Bank of Australia is authorised to do under the Terms of Sale and Terms and Conditions of the Loan (if applicable):

- to fill in blanks, correct errors, sign, seal and deliver and execute all documents (including assurances, identification and address declarations, and other instruments) which the Commonwealth Bank of Australia or the attorney considers necessary or expedient in connection with Capital Investment Loan (if applicable) and Interest in Advance Loan (if applicable); or
- which in the opinion of the Commonwealth Bank of Australia, are necessary or desirable in connection with the Delivery Assets (as defined in the Terms of Sale) or the protection of Commonwealth Bank of Australia’s interests or the exercise of the rights, powers and remedies of Commonwealth Bank of Australia, including without limitation the authority to sell the Delivery Assets on my/our behalf in accordance with clause 3.5(b) of the Terms of Sale.

**PLEASE READ THE TERMS CAREFULLY BEFORE SIGNING THIS APPLICATION FORM**

› **Every statement and direction made above is, in the case of persons who jointly apply for Capital Series Cornerstone, made jointly and severally by each Applicant.**

**ACKNOWLEDGEMENT AND SIGNATURES**

Each Joint Applicant must sign this Application Form.

**For Company Applicant or Corporate Trustee Applicant.**

If you are a Director of a Company Applicant or a Corporate Trustee Applicant:

- you sign this Application in your capacity as a Director;
- by signing, you confirm that there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due.

For Company Applicant and Corporate Trustee Applicant, two Directors or one Director (if you are a sole director) must sign.

**If executed by** Company Applicant or Corporate Trustee Applicant:

Company Name

ABN/ACN

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**Signed by Applicant 1 / Director 1 / Individual Trustee 1**

Print full name

Signature

Date

 /  / 

**Signed by Applicant 2 / Director 2 / Individual Trustee 2**

Print full name

Signature

Date

 /  /

# Directory

**Registered office of the Issuer:**

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

